



# Franchise, Excise Tax Guide

July 2002

**DEPARTMENT OF REVENUE**  
500 Deaderick St., Nashville, TN 37242

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Dear Tennessee Taxpayer,

This publication is designed to help taxpayers better understand the Tennessee franchise and excise taxes, including the collection and remittance of the taxes. The franchise and excise taxes are essential parts of the Tennessee tax structure. You may find compliance easier when you know more about the taxes. Please take time to acquaint yourself with how these taxes apply to you. This franchise, excise tax guide is intended as an informal reference for taxpayers who wish to gain a better understanding of Tennessee franchise, excise tax requirements. It is not an all-inclusive document. The tax guide is not intended as a substitute for Tennessee franchise, excise statutes or Rules and Regulations, nor is it intended to be a statement of Department of Revenue policy. The information in this guide is current as of the date of publication but could change as the tax laws, their interpretation, and their application do change from time to time because of legislative action, reviews, and court decisions.

Periodically, registered taxpayers may be mailed information letters with updates on tax laws and policies. Be sure to read any letter you receive carefully; this information may save you time and money. Informational publications are also available for specific industries. Contact the taxpayer Services Department to obtain these publications.

The Department of Revenue offers a toll-free tax information line for Tennessee taxpayers. The number is (800) 342-1003. If calling from Nashville or out-of-state, you may call (615) 253-0600. The Department of Revenue also offers a telecommunications device for the deaf (TDD) line at (615) 741-7398.

In addition, the Department of Revenue offers a HOT LINE number for the exclusive use of the tax practitioner. In-state practitioners may call (800) 397-8395; from Nashville and out-of-state call (615) 253-0700.

If you have questions, please do not hesitate to contact any of the offices listed below.

Sincerely,

Taxpayer Services Division

Tennessee Department of Revenue  
Taxpayer Services Division  
Andrew Jackson Building, 3<sup>rd</sup> Floor  
500 Deaderick Street  
Nashville, Tennessee 37242-1099

Toll-Free: (800) 342-1003  
Out-of-State: (615) 253-0600  
TDD: (615) 741-7398

#### Regional Offices

Chattanooga:  
540 McCallie Avenue  
Suite 350  
Chattanooga, TN 37402  
(423) 634-6266

Jackson:  
Lowell Thomas State Office Bldg  
225 Dr. Martin L. King Drive  
Box 44  
Jackson, TN 38301  
(731) 423-5747

Johnson City:  
204 High Point Drive  
Johnson City, TN 37601  
(423) 854-5321

Knoxville:  
531 Henley Street  
Room 606  
Knoxville, TN 37902  
(865) 594-6100

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3150 Appling Road  
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## FRANCHISE, EXCISE TAX

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### THE FRANCHISE AND EXCISE TAXES

The excise tax is a tax imposed on the privilege of doing business in Tennessee. General partnerships and sole proprietorships are not subject to the tax. The tax is based on net earnings or income for the tax year. (§ 67-4-2007)

The franchise tax is also levied upon the privilege of doing business in Tennessee and is based on the greater of net worth or the book value of real or tangible personal property owned or used. For this purpose, net worth or property values at the end of the taxable period are used. (§ 67-4-2104)

Both taxes are state taxes for state purposes only. No county, municipality, or taxing district shall have power to levy like taxes.

Although the franchise and excise taxes are two separate taxes, the intention of the state legislature, and the policy of the Department of Revenue, is that they are part of the same taxing scheme. Generally, any taxpayer that is liable for one will be liable for both. The use of the terms “franchise, excise tax” or “the tax” in this publication will indicate applicability to both taxes. Persons liable for the tax will register for both on one form and must file returns on one form. The taxable periods for both the franchise and excise taxes are always coincidental. A return is required for every fiscal closing of the corporate books of each taxpayer and must be filed coincidentally with each federal return filing period.

### Who Is Liable

Any person doing business in Tennessee is liable for the franchise, excise tax. In this regard, "person" or "taxpayer" means every corporation, subchapter S corporation, limited liability company, professional limited liability company, registered limited liability partnership, professional registered limited liability partnership, limited partnership, cooperative, joint-stock association, business trust, regulated investment company, real estate investment trust, state-chartered or national bank, or state-chartered or federally chartered savings and loan association. (§ 67-4-2004(16))

A person doing business in Tennessee without incorporating, domesticating, qualifying, or otherwise registering in Tennessee, or doing business in Tennessee while its charter or other registration is forfeited, revoked, or suspended, will not be relieved from filing a return and paying the tax for each tax year that it does business in Tennessee. (§§ 67-4-2105(d), 2007(b))

If a taxpayer dissolves without settling its franchise, excise tax obligations, the officers, stockholders, partners, members, principals, or employees may be held liable for the tax to the extent that they received any of the entity's corporate property in the liquidation process. (§§ 67-4-2016, 2117)

### Registration

All persons subject to the franchise, excise tax will register with the Department of Revenue by completing and filing the registration form (RV-F1303601, Appendices A & B) prescribed by the Department. This form will be filed with the Department within 15 days after the date the person becomes subject to the tax. Persons registered prior to the 1999 revision of the franchise, excise tax, or who have filed a return under prior law, are not required to register again for the tax. (§ 67-4-2003(c))

### Secretary of State Requirements

To obtain a corporate charter, articles of organization, a certificate of limited partnership, or a certificate of authority for out-of-state corporations, the appropriate forms and fees must be filed with the Tennessee Secretary of State. Any amendments must also be filed with the Secretary of State's office. All corporations, limited liability companies, and limited partnerships qualified with the Tennessee Secretary of State must file an annual report and pay a filing fee with that office. The report is due on the first day of the fourth month following the corporation's fiscal closing.

### How to Apply

The most efficient method of applying for franchise, excise tax registration is to visit one of the Department of Revenue offices listed on

## FRANCHISE, EXCISE TAX

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### THE FRANCHISE AND EXCISE TAXES (cont'd)

the first page of this publication. Trained personnel are available there to explain Tennessee's tax system and to answer your questions. If you are unable to visit one of the offices, you may mail the Application for Franchise, Excise Tax Registration form to any of the offices listed.

Whether you complete the Application for Registration form in person or by mail, you will need the following information to complete it:

- + The name, address, and phone number of the business, principal owners, officers, members, or partners, and the person making the application.
- + The Social Security Numbers of the principal owners, partners, members, or officers.
- + The Federal Employer's Identification Number (FEIN) issued by the U.S. Internal Revenue Service if you pay wages to anyone other than yourself.
- + A description of the business, the type of ownership, a brief explanation of the nature of the business, and, if the business is a corporation, the date of incorporation or domestication in Tennessee.
- + The Secretary of State control number if the business is registered with the Secretary of State.
- + The signature of an owner, officer, member, or partner on the application.

### Nexus of Out-of-State Businesses (§ 67-4-2004)

Out-of-state businesses must register with the Department of Revenue and obtain a Certificate of Registration for payment of the franchise, excise tax if they have a "nexus" in Tennessee. Generally, businesses are considered to have a nexus if they:

- + Have an office, distribution point, sales room, warehouse, or any other temporary or permanent place of business in Tennessee, or
- + Conduct any business activities in Tennessee that go beyond the mere solicitation of orders for sales of tangible personal property that are accepted, approved, and shipped from outside Tennessee, provided there is physical presence in Tennessee.

The above named activities are not intended to be all-inclusive, and it would be possible for a business engaged in an activity not listed above to have sufficient nexus in Tennessee to be subject to Tennessee franchise, excise taxes.

The law provides some exceptions to the general nexus rule. These exceptions include:

- + The presence of employees, product samples, or promotional materials at trade shows or conventions, for no more than 20 days each calendar year, providing the employees' activities are limited to taking orders, purchasing goods, or maintaining the show itself.
- + Activities by book and magazine publishers with Tennessee printers, when limited to activities having to do with the printing, storage, labeling, or delivery by mail or common carrier of their materials; maintenance of raw materials; production; or quality control. This exception doesn't apply if the publisher and printer are affiliated.
- + The physical presence of equipment, tooling, inventory, and employees when the taxpayer's employees are not engaged in the pursuit of a market in Tennessee; the equipment and tools are not used by an affiliated entity; the taxpayer does not have control over the work done by the in-state entity; and the extent of the value of the property, the number of employees, and the number of days the employees are in Tennessee is minimal.
- + The temporary presence of employees solely for the purpose of purchasing goods from Tennessee vendors for use out-of-state. This presence shall not exceed 30 days per calendar year, and the out-of-state employer shall not provide an office for these employees.

Out-of-state corporations doing business in Tennessee are subject to franchise, excise taxes even if they are not incorporated or domesticated in Tennessee.

### Classifications of Businesses (§ 67-4-2007)

Businesses will be classified as corporations, partnerships, or other types of business entities consistent with the way they are classified for federal income tax purposes and taxed accordingly. Entities disregarded for federal income tax purposes, except limited liability companies whose single member is a corporation, will not be disregarded for

## FRANCHISE, EXCISE TAX

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### THE FRANCHISE AND EXCISE TAXES (cont'd)

Tennessee franchise, excise tax purposes. Except for unitary groups of financial institutions or business entities that have been required or permitted to file franchise, excise tax returns on a combined, consolidated, or separate accounting basis, each taxpayer will be considered an separate and single business entity for Tennessee franchise, excise tax purposes. Each entity will file its Tennessee franchise, excise tax return reflecting only its own business activities.

#### Financial Institutions (§§ 67-4-2004, 2105)

A financial institution is not subject to franchise, excise taxes if it has no physical presence in Tennessee.

A financial institution is not considered to be conducting the business of a financial institution in this state if its only activity is the ownership of an interest in one or more of the following types of property, including activities that are required to acquire or dispose of the property, to service the property, to collect income from the property, or to acquire or liquidate collateral relating to the property.

- + A real estate mortgage investment conduit, real estate investment trust, or regulated investment company as defined by the Internal Revenue Service.
- + A loan-backed security representing ownership or participation in a pool of promissory notes or certificates of interest that provide for payments, or reasonable projections of payments, on the notes or certificates.
- + A loan, lease, note, or other asset attributed to this state in which the payment obligations were solicited and entered into by an independent person not acting on behalf of the owner.
- + The right to service or collect income from a loan or other asset from which interest on the loan or other asset is attributed to this state and in which the payment obligations were solicited and entered into by an independent person that is not acting on behalf of the owner.

- + Demand deposit clearing accounts, federal funds, certificates of deposit, and other similar wholesale banking instruments issued by other financial institutions.
- + Securities.
- + Any intangible, tangible, real, or personal property acquired in satisfaction, fully or in part, of any a payment obligation that is in default, secured or unsecured, if the ownership of the interest would be exempt otherwise.

#### Insurance Companies (§ 67-4-2009)

Insurance companies are allowed a credit for the net amount of gross premiums tax paid in the corresponding tax year. This does not include the gross premiums receipts tax paid by fire insurance companies for the purpose of executing the fire marshal law.

To the extent any franchise, excise tax liability remains after the application of the gross premiums tax credit, the remaining franchise, excise tax liabilities are reduced by an increasing percentage each year. For the tax year ending on or after December 15, 2000, the reduction is 60%. For the tax year ending on or after December 15, 2001, the liability is reduced by 80%. For the tax year ending on or after December 15, 2002, and all subsequent years, the franchise, excise tax will no longer be applicable to insurance companies.

#### Dissolving a Corporation

Before a taxpayer can terminate its charter, articles of organization, or certificate of limited partnership, or withdraw its certificate of authority or other similar document, a tax clearance certificate must be issued by the Department of Revenue. In order to receive a tax clearance certificate, a taxpayer must file all returns to date and a final franchise, excise tax return through the date of liquidation or the date the taxpayer ceased operations in Tennessee.

A schedule of liquidation, distribution, or disposition of all assets must accompany the final return. The final franchise tax will be determined by using the balance sheet values immediately preceding liquidation.

(Rule 1320-6-1-.11)

## FRANCHISE, EXCISE TAX

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### THE FRANCHISE AND EXCISE TAXES (cont'd)

When these requirements have been met, the Department of Revenue will be able to issue the tax clearance certificate for termination or withdrawal. The certificate will be mailed to the taxpayer's mailing address unless otherwise specified. To complete the termination or withdrawal process, the taxpayer must contact the Tennessee Secretary of State's office for that office's requirements. The tax clearance certificate is valid for 45 days from the date of issuance.

It is the responsibility of the Commissioner to collect the franchise, excise tax due, plus any penalties and interest, from any officer, stockholder, partner, member, principal, or employee of a taxpayer that has ceased business without paying the tax, if such person has received property of the defunct business. The amount of tax that may be collected in this situation may not exceed the value of the property received by the person from whom collection is sought. (§ 67-4-2117)

If a taxpayer goes out of business or otherwise ceases to exist during a year, the taxpayer is not entitled to prorate the excise tax liability due. The franchise tax liability may be prorated only on a return covering a tax period of less than twelve months.

### Effective Dates

The effective dates of the Tax Revision and Reform Act of 1999 vary depending on the business entity and the provisions of the Act. As a general rule, the new franchise, excise tax went into effect for tax years beginning on or after July 1, 1999. As most businesses use the calendar year for their tax year, most were affected by the new law on January 1, 2000.

Limited liability companies, limited partnerships, and limited liability partnerships are exceptions to the general rule if one or more corporations, subject to the franchise, excise tax under prior law, directly or indirectly, had in the aggregate an 80% or more ownership interest at any time after June 30, 1998. For these entities, the new law went into effect for tax years ending on or after June 30, 1999. (Section 60, Chapter 982, Public Acts 2000)



## FRANCHISE, EXCISE TAX

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### EXEMPT ENTITIES

The law exempts a number of entities from the franchise, excise tax:

Corporations organized in Tennessee, for the sole purpose is furthering industrial development in Tennessee communities, whose stockholders receive no income other than interest on money invested in the corporation, and whose officers receive no compensation. (§ 67-4-2008(a)(1))

Corporations organized for the purpose of erecting or owning a meeting place for more than one Masonic lodge, lodge of Odd Fellows, or similar lodge; which could obtain general welfare charters; and whose stock is owned by lodges participating in the common meeting place. Commercial rental income received by such corporations is not tax exempt. (§ 67-4-2008(a)(2))

Regulated investment companies or funds organized as unit investment trusts, taxable as grantor trusts under federal law, and whose investment value consists of at least 75% government bonds of the United States, the state of Tennessee, or any county, municipal, or political subdivision of the state. (§ 67-4-2008(a)(3))

Federal and state credit unions, production credit associations, and investment companies organized under state law. (§ 67-4-2008(a)(4))

Certain venture capital funds dealing primarily in trading securities in non-publicly traded companies on its own behalf. (§ 67-4-2008(a)(5))

Certain limited liability companies, limited partnerships, and limited liability partnerships, the activities of which are at least 66% farming or holding personal residences where one or more of its partners or members reside. (§ 67-4-2008(a)(6))

Limited liability companies, limited liability partnerships, or limited partnerships existing on May 1, 1999, that were at least 98% owned by corporate members of an affiliated group defined in 26 USC § 1504(a); were formed and operated for the purpose of acquiring notes and other

evidence of indebtedness from its members; the assets of which serve as security for third party borrowings or indebtedness; had at least 80% of the income from these instruments included in the income of a corporation doing business in Tennessee; and were subject to apportionment rules. (§ 67-4-2008(a)(7))

Limited liability companies, limited liability partnerships, or limited partnerships, all of whose members or partners are fully liable for the debts, obligations, and liabilities of the entity, and who have filed appropriate documentation with the office of the Secretary of State prior to the first day of the taxable year. This exemption shall not apply to any of the eligible limited liability entities that are owned in whole or in part, directly or indirectly, by a corporation other than a non-profit corporation. (§ 67-4-2008(a)(8))

Entities, classified as partnerships or trusts under 26 USC § 7701, or that have elected to be treated as a REMIC or FASIT entity, whose sole purpose is the asset-backed securitization of debt obligations. (§ 67-4-2008(a)(9)(A))

Non-corporate entities that are at least 95% family owned. Substantially all of the activities of such entities must be in the production of passive investment income as defined by statute. These entities must certify their eligibility with the Department to receive the exemption. (§ 67-4-2008(10)(A))

To the extent owned by real estate investment trusts, entities treated as partnerships for federal income tax purposes are exempt from the franchise, excise tax. (§ 67-4-2105(b))

Franchise, excise taxes are not applicable to non-profit corporations as defined by law. Non-profit corporations must file an annual report with the Secretary of State and pay the corporate filing fee. However, any non-profit entity with income from activities that are not related to the reason it was granted non-profit status is liable for the franchise, excise tax on that income. (§ 67-4-2007)

## FRANCHISE, EXCISE TAX

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### THE FRANCHISE TAX

#### The Measure of the Tax

The franchise tax rate is twenty-five cents per one hundred dollars, or major fraction thereof, of a taxpayer's net worth at the close of the tax year covered by the required return. The minimum franchise tax payable each year is one hundred dollars. A taxable business that is inactive or has had its charter or other registration forfeited, revoked, or suspended, but has not been dissolved or otherwise properly terminated, is not relieved from filing a return and paying the minimum franchise, excise tax.

(§§ 67-4-2106, 2119)

The measure of the tax levied will not be less than the actual book value (cost less accumulated depreciation) of the real and tangible property owned or used in Tennessee, excluding exempt inventory and two thirds of the capital investment used to qualify for the jobs tax credit. The value of any property under construction and not actually utilized by the taxpayer will not be included in the tax base. (§ 67-4-2108(a))

The value of rental property will be determined by multiplying the net annual rental by the following multiples: real property - 8; machinery and equipment that is used in manufacturing - 3; furniture and office machinery and equipment - 2; delivery or mobile equipment - 1.

(§ 67-4-2108(a)(3))

Property that is used primarily for air or water pollution control or treatment of hazardous waste, certified by the appropriate government authority as necessary to meet the requirements of state, federal, or local law, will not be included in the franchise tax minimum measure.

(§ 67-4-2108(5))

The value of owned or leased mobile property, located both in and outside Tennessee during a tax period, will be determined on the basis of the total percentage of time this property is in the state during the tax period. The value of an automobile or truck assigned to a traveling employee will be considered in Tennessee if the vehicle is licensed in Tennessee or if the employee's compensation is assigned to Tennessee for purposes of the taxpayer's

apportionment formula payroll factor.

(§ 67-4-2108(4))

Except for unitary groups of financial institutions, each taxpayer is treated as a separate entity. In the case of consolidations, mergers, or like events, a tax credit incurred by a predecessor will not be allowed as a deduction on the tax return filed by a succeeding taxpayer. However, if a taxpayer merges out of existence into a successor taxpayer that has no income, expenses, assets, liabilities, equity, or net worth, the successor taxpayer may carryover any qualified credit deduction accrued to the predecessor.

(§§ 67-4-2109(e)(1), (2))

A unitary group of financial institutions may take any qualified credit generated by any group member in existence as a member of the group at the end of the year provided that the credit has not previously been taken. (§ 67-4-2109(e)(5))

#### Net Worth

For taxpayers filing on a separate entity basis, "net worth" is defined as the difference between a taxpayer's total assets less its total liabilities. If the taxpayer does not maintain its books and records in accordance with generally accepted accounting principles, net worth will be computed according to the accounting method used by the taxpayer for federal tax purposes, so long as the method fairly reflects the taxpayer's net worth for purposes of the franchise tax. For taxpayers required by this part to file as a unitary group on a combined basis, "net worth" is defined as the difference between each such taxpayer's total assets less its total liabilities computed in accordance with generally accepted accounting principles. (§ 67-4-2106(b))

#### Adjustments

The value of an interest, determined in accordance with generally accepted accounting principles, which is held by one taxpayer in any other taxpayer paying the franchise tax, or the gross premiums tax levied under either § 56-4-205 or § 56-4-206 (for tax years ending on or after May 8, 2002 pursuant to Chapter 729, Public Acts of 2002), and doing business in this state, will be deducted from the franchise tax of the first taxpayer. (§ 67-4-2107(b))

## FRANCHISE, EXCISE TAX

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### THE FRANCHISE TAX (cont'd)

If a corporation whose capital stock is inadequate for its business needs is extended credit or has indebtedness to, or guaranteed by, a parent or affiliated corporation, the indebtedness must be included in computation of the corporation's net worth franchise tax base. (§ 67-4-2107(c)(1))

### Exemptions

Exempt inventory may be excluded from the minimum measure of the franchise tax. "Exempt inventory" means that portion of a taxpayer's finished goods inventory in excess of thirty million dollars, for fiscal years beginning on or after July 15, 1998, that would otherwise be included in the minimum measure of the taxpayer's franchise tax. (§ 67-4-2108(a)(6)(B))

Exempt required capital investments may also be excluded from the minimum measure of the franchise tax. "Exempt required capital investments" means two thirds of the value of all

capital investments that are the basis for the taxpayer's entitlement to the job tax credit under the provisions of §§ 67-4-2109(c)(2)(G) and (H). Under these provisions, certain capital investments in excess of one billion dollars or five hundred million dollars, as the case may be, qualify taxpayers to take tax credits for certain qualifying jobs created as a result of such investment enterprises. (§ 67-4-2108(a)(1)(G))

Partnerships, for federal income tax purposes, wholly owned, directly or indirectly, by a real estate investment trust, will be exempt from the payment of the franchise tax. Such entities partially owned by a real estate investment trust will be exempt from the tax imposed by this part to the extent that they are owned by the real estate investment trust. These entities will file franchise, excise tax returns as required and compute the franchise tax as though they were not partially exempt. The franchise tax will then be multiplied by the percentage of ownership by entities that are not real estate investment trusts; the result will be the franchise tax owed.

(§ 67-4-2108(b))

## FRANCHISE, EXCISE TAX

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### THE EXCISE TAX

#### The Measure of the Tax

Effective with tax years ending on or after July 15, 2002, all persons, except those with nonprofit status or otherwise exempt, are subject to a 6.5% corporate excise tax on the net earnings from business done in Tennessee for the fiscal year. This tax is in addition to any other taxes assessed under state law. Nonprofit persons and other exempt entities will be subject to the excise tax on net earnings in Tennessee from all activities unrelated to and outside the scope of the activities that give them exempt status.

Except for unitary groups of financial institutions and business entities that have been required or permitted to file excise tax returns on a combined, consolidated, or separate accounting basis, each taxpayer is treated as a separate entity and must file its excise tax return on a separate entity basis, reflecting only its own business activities even though it may have filed a consolidated federal income tax return. (§ 67-4-2007)

In the case of consolidations, mergers, or like events, no carryover loss by the previous taxpayer will be allowed as a deduction against the net earnings of the succeeding taxpayer. However, if the previous taxpayer merges out of existence and into a surviving successor taxpayer that has no income, expenses, assets, liabilities, equity, or net worth, the survivor of the merger may take any qualified loss carryover incurred by the predecessor. (§ 67-4-2006(c)(3))

A unitary group of financial institutions may take qualified loss carryovers of any group member that is in existence as a member of the group at the end of the tax year if such loss has not been previously taken by the member itself or by another unitary group of financial institutions entitled to the loss when the member was part of its unitary group. (§ 67-4-2006(c)(4))

#### Net Earnings

Net earnings (losses) are defined as federal taxable income (loss), before the net operating loss deduction and special deductions provided for in the Internal Revenue Code, plus or

minus certain additions and deductions provided by state law. Some examples of adjustments are:

#### **Additions to Federal Taxable Income Before the Net Operating Loss Deduction and Special Deductions (§ 67-4-2006(b)(1)) (The following is not all inclusive.)**

- + Tennessee excise tax deducted on the federal tax return. (Refunds of Tennessee excise taxes are excluded from net income to the extent they have been included in federal taxable income in the year of the refund.)
- + Interest income from state and local obligations to the extent not taxable under federal law. The interest income so added back may be reduced by allowable amortization and any interest expense not deductible for federal tax purposes.
- + Gains on sales of assets not already included in the net earnings computations for federal tax purposes. (Capital gains are subject to the excise tax in the tax year incurred.)
- + Federal capital loss carrybacks or carryovers. (Capital losses may be deducted for excise tax purposes in the tax year incurred, and carryovers or carrybacks are not permitted.)
- + Gross premiums taxes deducted on the federal return by an insurance company taken as a credit against the excise tax.
- + Percentage depletion in excess of cost depletion. (Only cost depletion is deductible for excise tax purposes.)
- + Charitable contribution carryovers. (Charitable contributions may be deducted for excise tax purposes in the tax year that they are made. Carryovers are not permitted.)
- + Nonbusiness losses net of related expenses.

#### **Deductions from Federal Taxable Income Before the Net Operating Loss Deduction and Special Deductions (§ 67-4-2006(b)(2)) (The following is not all inclusive.)**

- + Dividends earned by a taxpayer that owns 80% or more of the outstanding capital stock of a corporation. (Expenses incurred in earning the dividends need not reduce this deduction.)
- + Amounts included in federal taxable income but not taxable under state law.
- + Actual charitable contributions made by the taxpayer during the tax year but not deducted for federal purposes. (Contributions may be deducted for excise tax purposes in the tax year that they are made. Carryovers are not permitted.) (Real property contributed must be

## FRANCHISE, EXCISE TAX

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### THE EXCISE TAX (cont'd)

- valued at book value rather than fair market value.)
- + Capital losses incurred during the tax year not deducted for federal purposes. (Capital losses may be deducted for excise tax purposes in the tax year incurred. Capital loss carryovers or carrybacks are not permitted.)
- + Net operating losses carryovers. (The carryover period for losses allocable to Tennessee is 15 years for losses incurred in fiscal years ending on or after January 15, 1984. Net operating losses can be claimed only by the entity that suffered the loss. Taxpayers are not entitled to use net operating losses that occurred before they became subject to the excise tax.)
- + Nonbusiness earnings. (Nonbusiness earnings directly allocated to Tennessee under § 67-4-2011 are taxed in Tennessee at 100%.)

### Change in Computation of Net Loss or Net Earnings – Tax Reform Act of 2002.

The federal Job Creation and Worker Assistance Act of 2002 allows an additional first-year depreciation deduction equal to 30 percent of the adjusted basis of certain qualified property that is acquired after September 10, 2001, and before September 11, 2004, if the property is placed in service before January 1, 2005, or, in some cases, before January 1, 2006. Amendments to T.C.A. Section 67-4-2006, pursuant to the Tax Reform Act of 2002, require the taxpayer to reverse the extra 30% depreciation taken on tax returns filed for tax years ending on or after July 15, 2002, and, for that tax year and tax years thereafter, compute depreciation as it would have been computed before passage of the federal Job Creation and Worker Assistance Act of 2002.

### Business and Nonbusiness Earnings and Losses

For Excise Tax purposes, earnings (losses) are considered to be business earnings (losses) if they arise from activities in the regular course of the taxpayer's business (the transactional test) or from tangible or intangible personal property, the acquisition, use, management, or disposition of which constitutes an integral part of the taxpayer's business (the functional test). All earnings (losses) that are not specifically defined as business earnings (losses) are considered to be

non-business earnings (losses). The classification of earnings (losses) as business or nonbusiness makes no difference to a taxpayer that is not doing business outside Tennessee so as to be entitled to apportion because, for such a taxpayer, both business and nonbusiness earnings (losses) are taxed at 100% in Tennessee. However, some taxpayers are entitled to apportion their business earnings because they are doing business both within and without Tennessee. Those taxpayers pay excise tax on their apportioned business earnings or carryforward their business losses. They then allocate their nonbusiness earnings (losses) to either Tennessee or to another state in accordance with the provisions of T.C.A. § 67-4-2011. Generally, when both the transactional and functional tests are applied, income (losses) from such items as dividends, interest, rents, royalties, capital gains, patents and copyrights will be business income (losses) because they arise either in the regular course of the taxpayer's business or from tangible or intangible personal property, the acquisition, use, management, or disposition of which constitutes an integral part of the taxpayer's business. (§§67-4-2004(1), 2011)

### Allocation of Nonbusiness Earnings (Losses)

In the event that income (losses) from such items as dividends, interest, rents, royalties, capital gains, patents, and copyrights are nonbusiness in nature, they are not included in apportionable income but are directly allocated either to Tennessee or to another state as follows:

- + Dividends and interest are allocated to Tennessee if the taxpayer is domiciled in Tennessee.
- + Rents and royalties from real property located in Tennessee are allocable to Tennessee.
- + Rents and royalties from tangible personal property are allocable to Tennessee to the extent that the property was utilized in Tennessee or in their entirety if the taxpayer's domicile is in Tennessee and the taxpayer is not organized under the laws of or taxable in the state in which the property is utilized.
- + Capital gains and losses from the sale of real property are allocated to Tennessee if the situs of the property is in Tennessee.

## FRANCHISE, EXCISE TAX

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### THE EXCISE TAX (cont'd)

- + Capital gains and losses from sales of tangible personal property are allocated to Tennessee if the property had situs in Tennessee at the time of sale or the taxpayer is domiciled in Tennessee and is not taxable in the state where the property had situs.
- + Capital gains from sales of intangible property are allocable to Tennessee if the taxpayer's domicile is in Tennessee.
- + Patent and copyright royalties are allocable to Tennessee to the extent utilized by the payer in Tennessee or if utilized by the payer in a state in which the taxpayer is not taxable and the taxpayer is domiciled in Tennessee.

Nonbusiness income that has been directly allocated to Tennessee is 100% subject to the excise tax. (§67-4-2011)



## FRANCHISE, EXCISE TAX

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### RETURNS AND PAYMENT

#### Filing the Annual Return

Each taxpayer liable for the franchise, excise tax must file an accurate and complete return, signed by its president or other principal officer, under penalty of perjury. The return will contain the taxpayer's name, the state in which chartered or organized, the location of its principal place of business in this state, and the location of its principal or home office; if applicable, the amount of capital stock subscribed and paid in, the amount issued and outstanding, the amount of surplus and undivided profits or, if applicable, the net worth together with the book value of each share of stock as shown by the records of the corporation at the close of its last fiscal year; a comparative balance sheet as of the beginning and close of the last fiscal year as shown by the records of the taxpayer; an income statement with appropriate supporting schedules; and any other information that the Commissioner may require for the reasonable enforcement of the tax. (§§ 67-4-2006, 67-4-2114(a))

Financial institutions forming a unitary business will file a combined return and pay tax on all operations of the unitary business. Information normally required for the franchise, excise tax return will be included for every member of the unitary group even if some of the members would not otherwise be subject to the tax. Dividends, receipts, and expenses resulting from transactions between members of a unitary group shall be excluded from the return for purposes of apportionment. (§§ 67-4-2006(a)(3), 2114(c))

The franchise, excise tax return will be filed with the Commissioner not later than the fifteenth day of the fourth month following the close of the taxpayer's tax year. The return must coincide with the accounting period covered by the federal return. The appropriate tax must be paid to the Department at the time of filing the return. (§ 67-4-2015(a))

At the Commissioner's discretion, any taxpayer may be required to file, with its franchise, excise tax return, a copy of the federal tax forms filed with the Internal Revenue Service for the same tax year. (§§ 67-4-2003(b), 2103(b))

#### Estimated Tax Payments

Any taxpayer having a combined franchise, excise tax liability of five thousand dollars or more for the current tax year must make four equal quarterly estimated franchise, excise tax payments for its current tax year. The minimum amount of each quarterly payment shall be the lesser of one fourth of the combined franchise, excise tax liability for the preceding tax year, annualized if the preceding tax year was for less than twelve months, or one fourth of 80% of the combined franchise, excise tax liability for the current tax year.

The quarterly payments will be due on the 15th day of the fourth, sixth, and ninth months of the current tax year and the first month of the next tax year. If any of the quarterly payments become deficient or delinquent, a penalty of 5% for each month of underpayment, not to exceed a total of 25% will be assessed. Interest will also be assessed on the delinquency or deficiency. A taxpayer that has timely made 4 quarterly estimated franchise, excise tax payments, each of at least 25% of the current year's franchise, excise tax liability, will not be assessed a deficiency penalty on any quarterly payment. (§ 67-4-2015)(Form RV-R0011301, Appendix Q)

#### Effective Dates of Changes in Required Estimated Payments

**For tax years beginning on or after July 1, 1999, and before July 1, 2000, the minimum quarterly payment is the greater of (a) 25% of the prior year's combined franchise and excise tax liability, or (b) 25% of 50% of the current year's combined franchise and excise tax liability. For tax years beginning before July 1, 1999, or after June 30, 2000 to May 19, 2003, the minimum quarterly payment is the lesser of (a) 25% of the prior year's combined franchise and excise tax liability, or (b) 25% of 80% of the current year's combined franchise and excise tax liability; for all estimated payments due after May 19, 2003: 25% of 100% of the current year combined rate. (§ 67-4-2015)**

#### Extension of Filing Time

An extension of 6 months in which to file the franchise, excise tax return will be granted

## FRANCHISE, EXCISE TAX

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### RETURNS AND PAYMENT (cont'd)

provided that, by the original due date of the return, the taxpayer has paid franchise, excise tax equal to 90% of the liability for the tax year for which the extension is being requested. If the amount paid is not equal to at least 90% or the return isn't filed by the extended due date, penalties and interest will be added from the original due date as though no extension had been granted. (§ 67-4-2015(g))  
(See Form RV-R0011401, page 42.)

#### Penalties For Late Filing

Taxpayers failing to file, or filing late, are subject to a penalty of 5% per month, up to 25%, with a minimum penalty of \$15. In addition, interest accrues at a rate set by the Commissioner of Revenue. The \$15 minimum penalty applies even if no tax is due or if an adequate amount of tax was paid before the return was filed.  
(§ 67-1-801)

#### Delinquent Accounts

When a taxpayer becomes 90 days delinquent in the payment of the tax, the Commissioner will certify the name of that taxpayer to the Secretary of State. At that time, following notification to the taxpayer, the taxpayer's charter or certificate to do business in Tennessee will automatically be dissolved. If the taxpayer subsequently pays all taxes, fees, interest, and penalties, the charter or certificate may be reinstated unless another taxpayer has taken title. (§§ 67-4-2016, 2116)

### Return Forms

The Franchise, Excise Tax Return Form, FAE 170, along with instructions and appropriate schedules are mailed to all registered franchise, excise taxpayers by the Department of Revenue based on the ending date of the taxpayer's fiscal year. Should there be a change in the taxpayer's filing status, fiscal year dates, or a need for additional forms, the forms may be accessed on the Department of Revenue's Web site. The address is [www.Tennessee.gov/revenue](http://www.Tennessee.gov/revenue). Forms may also be requested by calling the Department at one of the phone numbers listed in this publication.

Examples of the Franchise, Excise Return form, Form RV-R0011001, with all schedules are shown in Appendices C - O of this publication.



## FRANCHISE, EXCISE TAX

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### CREDITS

#### Overpayments

When an audit of a franchise, excise tax return, for any year not barred by the statute of limitations, discloses an overpayment of the amount of franchise, excise tax due, the taxpayer may apply the amount overpaid as a credit or receive a refund in the amount of the overpayment. (§§ 67-4-2009(2), 2109(d))

#### Day Care Construction Tax Credit

A taxpayer may take a credit against franchise, excise taxes for 25% of the total expenditures incurred in the planning, site preparation, construction, renovation, or acquisition of facilities for the purpose of establishing a child day care center, built after April 1994, for use by the children of the taxpayer's employees. The credit allowed for any income year may not exceed \$25,000. The amount of credit allowed may be carried over and applied for up to three years as long as the day care center was in use for at least 6 months of each tax year. See Schedule W (Appendix M). (§§ 67-4-2009(3), 2109(b)(1))

#### Income Tax Credit (§ 67-4-2009(8))

A taxpayer may take a credit against its excise tax for any Tennessee income tax that it pays.

#### Low Income Housing Tax Credit

A taxpayer may take a credit against the combined franchise, excise tax liability for unbudgeted property taxes paid in association with the low-income housing tax credit program. This credit will exist for five years and will expire after the fifth year in which it is claimed. See Schedule Y (Appendix O). (§§ 67-4-2009(9), 2109(f))

#### Industrial Machinery Tax Credit

A credit equal to 1% of the cost of industrial machinery purchased or leased during the tax year and located in Tennessee may be taken against the excise tax liability. The credit and any carryover thereof may not exceed 50% of the tax liability for the year in which it is taken and

may be carried over for no more than 15 years. If any industrial machinery purchased is removed from the state, sold, or otherwise disposed of during its useful life, the state may recover a portion of the credit given. If industrial machinery is leased for less than 80% of its useful life, the amount of the credit will be determined by multiplying the purchase price by the percent of the useful life for which the machinery is leased. See Schedule T (Appendix K). (§ 67-4-2009(4))

#### Hospital Company Tax Credit

A hospital company filing a franchise, excise tax return on a combined basis with other members of its controlled group may take a credit of the lesser of the franchise or excise amounts due. This credit will not be available for tax years beginning on or after January 1, 2007. The group may also take a credit on the remaining tax of 4% of the cost of medical supplies or equipment placed into use in the state during the tax year. The amount of the total credit may not exceed nine million dollars in any tax year and will not be available for tax years beginning on or after January 1, 2007. (§§ 67-4-2009(5), (16))

#### Job Tax Credit

A job tax credit of two thousand dollars for each net new full-time employee job will be allowed against a taxpayer's franchise tax liability for any year provided that:

- + The job is a newly created position in Tennessee and did not exist as a position in any business for at least ninety days prior to being filled by the taxpayer.
- + The job was filled during the tax year and was in existence at the end of the tax year.
- + The taxpayer has met the required capital investment of five hundred thousand dollars in the qualified business enterprise.
- + The credit will first be available in the tax year in which the qualified business enterprise increases net full-time employment by twenty-five or more jobs and in those subsequent tax years in which further net job increases occur above the level of employment established when the credit was last taken.
- + The new full-time employee jobs are filled prior to January 1, 2008.

## FRANCHISE, EXCISE TAX

### CREDITS (cont'd)

For businesses engaged in convention or trade show enterprises, the minimum required capital investment is ten million dollars.

If the business enterprise is located in an economically distressed county, as defined by the Department of Economic and Community Development, the credit allowed will be three thousand dollars for each net new full-time job.

Taxpayers wishing to qualify for this credit will file a business plan with the Commissioner of Revenue. The business plan must be filed on or before the last day of the fiscal year in which the investment is made and must describe the investment made, the number of jobs the investment will create, and the expected dates the jobs will be filled.

Any unused job tax credit, incurred for a tax year beginning prior to July 1, 1999, may be carried forward for fifteen years after the fiscal year in which the credit originated subject to limitations established by prior law. Any unused job tax credit, incurred for a tax year beginning on or after July 1, 1999, may be carried forward for fifteen years after the tax year in which the credit originated. For job tax credits incurred in tax years beginning on or after July 1, 1999, the amount of the credit or any amount carried forward will be limited as follows:

<u>Number of Full-Time Employees at FY End</u>	<u>% of F, E Tax Liability Offset by Tax Credit</u>
Less than 1,000	33 1/3%
1,000 but less than 3,000	50%
3,000 but less than 5,000	75%
5,000 or more	100%

A business enterprise involving a required capital investment in excess of one billion dollars, invested over not more than three years from the date of filing the first business plan relating to the business enterprise, and creating at least one thousand full-time employee jobs with "top out" wages at least equal to one hundred fifty percent of Tennessee's average industrial wage for all manufacturing sectors, will be allowed a credit of five thousand dollars for each net new full-time job created.

"Top out wage" means the wage that an employer assigns to a given job and will be obtained after a worker has completed all required training and experience in that job over an initial period not to exceed three years.

In addition to the \$5000 tax credits allowed for the first tax year, all or a portion of the tax credits allowed may also apply on an annual basis to offset the taxpayer's franchise, excise tax liability for each tax year after the first tax year for up to twenty years. The full-time employee jobs created by the required capital investment for which credits were originally issued must remain filled by employees at wages equal to or greater than one hundred fifty percent of Tennessee's average industrial wage for all manufacturing sectors. The Commissioner of Economic and Community Development, with the written concurrence of the Comptroller of the treasury, must determine that the location and nature of the capital investment is economically desirable and in the best interests of the citizens of this state, and must specify, for each business enterprise, the maximum period the additional tax credits granted will be allowed and the amount of additional tax credits that will be allowed each year after the first tax year during the specified maximum period.

The required capital investment will be considered made on the date of payment or the date the business enterprise enters into a legally binding commitment for purchase or construction. The Commissioner of Economic and Community Development may, for good cause, extend the three-year period for making the required capital investment and the three-year period after a worker's completion of initial training or probationary period for up to one year. (§ 67-4-2109(c)(2)(G))

A similar credit is available for a business enterprise that makes a required capital investment of five hundred million dollars, but some of the applicable provisions are different from those available for one billion dollar capital investors. (§ 67-4-2109(c)(2)(H))

The jobs tax credit is determined using Schedule X (Appendix N).

## FRANCHISE, EXCISE TAX

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### CREDITS (cont'd)

#### Eligibility Under Previous Law

Taxpayers not subject to the franchise, excise taxes in 1997 and 1998, and who meet the criteria set forth below, may compute the job credit they would have qualified for in 1997 and 1998 under the previous franchise, excise tax law, compute the amount of the credit they would have taken on their returns for 1997 and 1998, and the amount they would have carried forward to subsequent years in which they were not subject to the tax. Any excess credit then may be carried forward to tax years in which they were subject to the tax. The criteria these taxpayers must meet are:

- + They were formed as business entities after December 31, 1995.
- + They were not subject to the Tennessee franchise, excise tax prior to chapter 406 of the Public Acts of 1999.
- + They could have qualified for the job tax credit, under the previous franchise, excise tax law repealed by chapter 406, in the years 1997 and 1998, had they been subject to the provisions of the previous law.

The excess job tax credit may be carried forward for a period of 15 years from the tax year in which it originated.

These same entities may compute the amount, if any, of the industrial machinery credit and the net operating loss carryover they would have been eligible for in tax years 1997 and 1998 and the amounts they would have applied in those tax years. Any excesses may be carried forward in the same manner as the excess job tax credit. (§ 67-4-2018)

## FRANCHISE, EXCISE TAX

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### APPORTIONMENT TO TENNESSEE

#### **Apportionment By Multi-State Corporations (§§ 67-4-2010, 2011, 2012) (Franchise, Excise Rule 1320-6-1-.25)**

A taxpayer doing business in Tennessee, and also doing business outside Tennessee so as to be subject to the taxation of another state, may apportion its net worth for Tennessee franchise tax purposes and net earnings for Tennessee excise tax purposes. This is done by multiplying net worth and net earnings by a fraction, the numerator of which is the property factor plus the payroll factor plus twice the receipts factor and the denominator is the number 4.

#### **The Property Factor**

In computing the property factor, all property owned by the taxpayer is valued at its original cost. Property rented by the taxpayer is valued at 8 times the net annual rental rate. The total used for the formula is the average of the total value of property owned or used at the beginning of the year and at the end of the year. Taxpayers having interests in general partnerships must include their proportional share of the partnership's real and tangible personal property in the formula. (§§ 67-4-2012(b), 2111(b))

The value of owned or leased movable property, located both within and outside Tennessee during a tax period, will be determined on the basis of the total percentage of time this property is in the state during the tax period. The value of an automobile or truck assigned to a traveling employee will be considered in Tennessee if the employee's compensation is assigned to Tennessee for purposes of the taxpayer's apportionment formula payroll factor or if the vehicle is licensed in Tennessee. (§§ 67-4-2012(b)-(d); 2111 (b)-(d))

#### **The Payroll Factor**

The payroll factor includes wages, salaries, commissions, and any other compensation for personal services of employees. A taxpayer's ownership share of the compensation paid by an entity treated as a general partnership for federal income tax purposes must be included in the payroll factor. Compensation is included in the

numerator of the factor if it is paid to an individual whose service is performed entirely in Tennessee or when only an incidental part of the employee's service is performed outside Tennessee. Compensation is also included in the numerator of the factor if some of the employee's service is performed in Tennessee and the employee has a Tennessee base of operations or, if there is no base of operations, the employee is directed or controlled from Tennessee. If an employee lives in Tennessee and the base of operations or place from which the service is directed is not in a state where some of the service is performed, then the compensation is included in the numerator of the factor. (§§ 67-4-2012(e), 2111(e)&(f))

#### **The Receipts Factor**

Tennessee is a destination sales state for purposes of the apportionment formula receipts factor. Generally, sales of tangible personal property are considered to be Tennessee sales or sales outside Tennessee depending on the location of the purchaser regardless of the FOB point or other conditions of sale. Sales to the U.S. Government are Tennessee sales if the merchandise is shipped from Tennessee. Sales of other than tangible personal property are allocable to Tennessee if a greater proportion of the earnings-producing activities are performed in Tennessee. A taxpayer's ownership share of the receipts of an entity treated as a general partnership for federal income tax purposes must be included in the receipts factor. (§§ 67-4-2012(g)-(i), 2111(g)-(i))

Notwithstanding any provision of law other than § 67-4-2014 to the contrary, any person doing business in Tennessee, who licenses the use of patents, trademarks, trade names, copyrights, know-how, or other intellectual property to another person in Tennessee, and who is paid royalties or other income based on the sale of products or other activity in Tennessee by the licensee, shall source such income to Tennessee for purposes of its apportionment formula receipts factor. Nonbusiness receipts are not considered in the receipts factor. (§§ 67-4-2012(j), 2111(j))

## FRANCHISE, EXCISE TAX

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### APPORTIONMENT TO TENNESSEE (cont'd)

#### **Business and Nonbusiness Earnings (Losses)**

For franchise, excise tax purposes, allocation applies only to business earnings (losses). Nonbusiness earnings are not included in the apportionment formula. Earnings (losses) are considered to be business earnings (losses) if they arise from activities in the regular course of the taxpayer's business or from tangible or intangible personal property, the acquisition, use, management, or disposition of which constitutes an integral part of the taxpayer's business.

#### **Variances From The Standard Apportionment Formula**

In some instances, the statutory tax computation, allocation, or apportionment provisions may not fairly represent the extent of the taxpayer's business activity in this state, the taxpayer's net worth, or the taxpayer's net earnings. In such a case, the taxpayer may petition for, or the Department may require, separate accounting; the exclusion or addition of one or more apportionment formula factors, or the use of other methods to determine receipts for purposes of the apportionment formula. The taxpayer may also petition for, or the Department may require, the use of any other tax computation method necessary to fairly reflect the extent of the taxpayer's activities that are subject to the Tennessee franchise, excise tax.

(§§ 67-4-2014, 2112)

When two or more business entities (whether incorporated or affiliated or not) are, directly or indirectly, owned or controlled by the same interests, the Commissioner, using appropriate federal guidelines, may make the appropriate adjustments to distribute, apportion, or allocate income, deductions, credits, allowances, or net worth among such business entities if necessary to prevent evasion of taxes, excessive use or abuse of exemptions, or to clearly reflect the income or net worth of such business entities. The Commissioner may also require combined reports utilizing a common apportionment formula covering members of an affiliated group of corporations.

(§§ 67-4-2014(c)(1), (2), 2112(c)(1), (2))

The Commissioner may disregard any entity created or transaction made that has no business purpose or is created or made with the primary purpose of evading either the federal income tax or the franchise, excise tax.

(§§ 67-4-2014(c)(4), 2112(c)(4))

Once another method of tax computation or apportionment has been established, it will remain in effect as long as the circumstances justifying the variation remain substantially unchanged, or until changed or discontinued by the Department, whichever occurs first. Should the Department change or discontinue a variation that has been granted to, or required of, a taxpayer, the taxpayer will be given reasonable notice. The change or discontinuation will then apply to the first, and subsequent, tax periods that begin on or after the date of the notice.

(§§ 67-4-2014(d), 2112(d))

For tax years beginning on or before December 31, 2006, a hospital company must file its franchise, excise tax return on a combined basis with all other corporations or entities subject to these taxes that are members of its controlled group and are doing business subject to taxation in Tennessee. One member of the combined group must sign these returns on behalf of all members. The combined return shall contain all financial statements and schedules that would be required of each member filing a separate franchise, excise tax return.

Each member's net earnings or losses subject to carryover, if applicable, and each member's apportionment ratio, and applicable supporting schedules must be computed separately as would be required by law if no combined return were required. The franchise, excise tax shall be computed for the combined group based on the combined net earnings or net losses of the members. The losses available to each member of the controlled group under current or prior law will be available for offset against the net earnings of the combined group in the first year of filing on a combined basis. Any portion that is not used to offset net earnings of the combined group in the first year may be carried forward, for no more than 15 years, on a combined basis to be available as an offset to future net earnings of the combined group. No member of the

## FRANCHISE, EXCISE TAX

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### APPORTIONMENT TO TENNESSEE (cont'd)

combined group may file its franchise, excise tax return on a separate basis without the consent of the Commissioner.

#### **Apportionment of Net Worth of Common Carriers and Insurance Companies**

When a taxpayer's principal business in Tennessee is that of common carrier or insurance company, the following ratios will be used to apportion the taxpayer's net earnings and net worth to Tennessee.

**Railroads.** The ratio obtained by taking the arithmetical average of the following two ratios: (A) the gross receipts from railway business operations beginning and ending entirely within this state as compared with its gross receipts from such operations within and without the state; and (B) the mileage owned and operated within Tennessee plus mileage leased and operated within Tennessee as compared with the total of such mileage within and outside this state. (§§ 67-4-2013(a)(1), 2113(a)(1))

**Motor Carriers.** The ratio obtained by taking the arithmetical average of the following two ratios: (A) the gross receipts from business operations beginning and ending entirely within this state as compared with its entire gross receipts from such operations within and without Tennessee; and (B) the ratio of the total franchise miles, or odometer miles if there are no franchise miles, which it holds or uses under lease, contract, or certificate of convenience and necessity from the Interstate Commerce Commission or the Department of Safety within Tennessee, to the total franchise or odometer miles which it holds or uses, inside or outside Tennessee, under such certificates from this or other states, as shown by the annual reports made by the corporation to the various commissions from which it holds certificates. (§§ 67-4-2013(a)(2), 2113(a)(2))

**Rail and Motor Carriers.** When the taxpayer is engaged in transporting passengers and property by both rail and motor, then the apportionment ratio is the sum of the miles within Tennessee as computed under both the formula for railroads

and the formula for motor carriers compared to the sum of the miles under such formulas within and without the state.

(§§ 67-4-2013(a)(3), 2113(a)(3))

**Pipelines.** The ratio obtained by taking the arithmetical average of the following two ratios: (A) the gross receipts from operations on business beginning and ending entirely within Tennessee as compared with its entire gross receipts from such operations within and without Tennessee; and (B) the ratio of the pipeline miles owned and/or operated within Tennessee, to the miles of pipelines owned and/or operated within and without Tennessee.

(§§ 67-4-2013(a)(4), 2113(a)(4))

**Insurance Companies.** (A) Domiciled in Tennessee: The ratio of the premiums on policies, persons and property in Tennessee to total such premiums everywhere; (B) Not domiciled in Tennessee: The ratio of premiums on policies, persons and property in Tennessee to the total of such premiums everywhere except that no annuity considerations will be considered a premium for this purpose.

(§§ 67-4-2014(c), 2114(5))

**Air Carriers.** The ratio obtained by taking the arithmetical average of the following two ratios: (A) the originating revenue within Tennessee as compared with the entire originating revenue within and without Tennessee; and (B) the ratio of the total air miles flown within Tennessee to the total air miles flown within and without Tennessee. Air miles flown within Tennessee shall only include miles in Tennessee from flights originating from or ending in Tennessee, or both originating from and ending in Tennessee. (§§ 67-4-2013(a)(5), 2113(6))

**Air Express Carriers.** The ratio obtained by taking the arithmetical average of the following two ratios: (A) the originating revenue within Tennessee as compared with the entire originating revenue within and without Tennessee; and (B) the ratio of the total air miles flown and ground miles traveled within Tennessee to the total air miles flown and ground miles traveled within and without Tennessee. Air miles flown within Tennessee only includes miles in Tennessee from flights originating from,



## FRANCHISE, EXCISE TAX

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### APPORTIONMENT TO TENNESSEE (cont'd)

or ending in, Tennessee, or both originating from and ending in Tennessee. Ground miles traveled within Tennessee or traveled within and without Tennessee shall only include miles traveled with respect to the actual common carriage of persons or property for hire.

(§§ 67-4-20013(a)(6), 2113(7))

#### Apportionment of Financial Institutions

For excise tax purposes, a financial institution not filing a combined return, that has business activities both within and outside Tennessee so as to be entitled to apportion, computes its apportionment ratio using total receipts attributable to the transaction of business in all taxing jurisdictions. A unitary group of financial institutions computes its apportionment ratio in the same manner using the combined receipts of the group with receipts from transactions between group members eliminated. The ratio so computed is then applied to the financial institution's net earnings or combined net earnings in the case of a unitary group filing on a combined basis. (§ 67-4-2013(b))

For franchise tax purposes, a financial institution, not filing a combined return, that has business activities both within and without Tennessee so as to be entitled to apportion, computes its apportionment ratio using total receipts attributable to the transaction of business in Tennessee divided by total receipts attributable to the transaction of business in all taxing jurisdictions. The ratio so computed is then applied to the financial institution's net worth to obtain the franchise tax base. A unitary group of financial institutions computes its apportionment ratio in the same manner for each business entity in the group. In the case of a financial institution not filing a combined return, the ratio so computed is then applied to the financial institution's net worth. Each member of a unitary group of financial institutions filing a combined return applies its own apportionment ratio to its own net worth, and the results are then combined to obtain the net worth franchise tax base for the unitary group. (§67-4-2118(a) and (b))

For the purpose of computing the apportionment ratios of financial institutions, receipts includes net taxable gain on disposition of assets such as securities and money market transactions, when derived from transactions and activities in the regular course of business. Gross receipts of a financial institution and the basis on which they will be attributed to Tennessee are as follows:

- + Receipts from the lease or rental of real or tangible personal property located in Tennessee.
- + Interest income and other receipts from assets in the nature of loans or installment sales contracts that are primarily secured by or deal with real or tangible personal property located in Tennessee. If any part of the sale property or property standing as security for the payment of the debt is located part within and part outside the state, only such proportion of the interest income or other receipts shall be attributed to Tennessee as the value of the property within the state bears to the whole property.
- + Interest income and other receipts from consumer loans, not secured by real or tangible personal property, made by any means to a resident of Tennessee.
- + Interest income and other receipts from commercial loans and installment obligations, not secured by real or tangible personal property, to be applied in Tennessee. If it cannot be determined where the funds are to be applied, the receipts are to be attributed to the state in which the business applied for the loan. The term "loan" does not include demand deposit accounts, federal funds, certificates of deposit, and other similar wholesale banking instruments issued by other financial institutions.
- + All receipts and fee income from the issuance of letters of credit, acceptance of drafts, and other devices for assuring or guaranteeing a loan or credit shall be attributed in the same manner as interest income and other receipts from the loan are attributed.
- + Interest income, merchant discount, other receipts (including service charges from financial institution credit card and travel and entertainment credit card receivables and credit card holders), and fees shall be attributed to the state to which the card charges and fees are regularly billed.
- + Receipts from the sale of tangible or intangible assets will be attributed in the same manner that the income from the asset would be attributed.

## FRANCHISE, EXCISE TAX

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### APPORTIONMENT TO TENNESSEE

(cont'd)

- + Receipts from the performance of fiduciary and other services shall be attributed in accordance with the apportionment formula for persons doing business both within and outside the state.
- + Receipts from the issuance of traveler's checks, money orders, or United States savings bonds shall be attributed to the state where such items are purchased.

- + Receipts from a participating financial institution's portion of participation loans shall be attributed as otherwise provided. A participation loan is any loan in which more than one lender is a creditor to a common borrower. (§§67-4-2013(b), 2118)

Schedules N through S, Appendix J, are used to determine apportionment values.



## FRANCHISE, EXCISE TAX

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### GENERAL PROVISIONS

#### Mailing Date

If the due date for a return falls on Saturday, Sunday, or a state holiday, the due date is automatically extended until the next business day. Returns mailed through the United States mail will be considered filed and received on the date shown in the post office cancellation mark on the envelope. If the cancellation mark is not legible or is missing, then the return will be considered filed on the date the envelope is stamped as "received" by the Department of Revenue. (§ 67-1-107)

#### Penalties

A penalty is imposed for the late filing of a tax return and for late payment of taxes owed the state. The penalty is computed at a rate of 5% per month, or any portion of a month, from the due date until the date the taxes are paid. The maximum penalty is 25% of the tax amount due; the minimum penalty is \$15.00. (§ 67-1-804)

The Commissioner, with the concurrence of the Attorney General if the amount waived exceeds \$25,000, is authorized to waive, in whole or in part, penalties that are not the result of gross negligence or willful disregard of the law if such penalties fall within any of the good and reasonable causes for waiver set forth in the law. Interest may not be waived under any circumstances. Penalties may not be waived in situations where the taxpayer has failed to procure a license required by law unless the taxpayer can prove that failure to procure the required license was the result of erroneous advice or action on the part of officials charged with enforcement of the law. Among the good and reasonable causes for the waiver of a delinquency penalty is the fact that the taxpayer has timely filed and paid the tax in question for at least the two prior years. Any cause for a delinquency may be accepted as good and reasonable if it appears to the Commissioner that the taxpayer has done everything that it could reasonably be expected to do, as an ordinarily intelligent and reasonably prudent business person, to timely file the return and pay the tax. Any taxpayer who believes that it has good and reasonable cause for waiver of any penalty

assessed should petition the commissioner in writing for a penalty waiver. Such a petition should set forth the facts and circumstances that occasioned the deficiency or delinquency and the good and reasonable causes that the taxpayer believes warrant a waiver of the penalty assessed. (§ 67-1-803)

#### Interest

Interest is imposed on any taxes not paid by the date required by law even though a filing date extension may have been granted. The interest charge on any returns filed late is established each July 1. Interest charges are not subject to waiver. (§ 67-1-801)

#### Audits and Assessments

All tax returns filed with the Department of Revenue undergo some type of office audit or examination to ensure that the correct tax has been paid. This audit could be a computer math audit, a manual examination by a trained auditor, or both. The taxpayer will be contacted if additional information is needed to complete the audit, and will receive written notification if any adjustments are made to the return.

Any taxpayer selected for a field audit will be contacted by the Department of Revenue to set up a convenient time for the audit. The taxpayer will receive advance notification on which records will be needed for the audit. A field audit generally involves an examination of records and documentation used to file tax returns for the three previous years. At the completion of the audit, the auditor will leave the taxpayer a written report for review. Once the auditor had made any necessary changes to the report, the notice of assessment for any delinquent taxes will be issued. (§ 67-1-1301)

#### Refunds (§ 67-1-1802)

The Commissioner of the Department of Revenue is empowered to refund taxes collected in error, including excise taxes due a taxpayer because of a decrease in net income divulged by an examination by the Internal Revenue Service. Refund requests must be supported by proper proof and must be filed within 3 years from

## FRANCHISE, EXCISE TAX

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### GENERAL PROVISIONS

December 31<sup>st</sup> of the year in which the tax was paid.

The Commissioner may approve refunds of up to \$50,000. Refunds of greater amounts must go to the Attorney General's office for approval. (§ 67-1-1802)

#### Dishonored Checks (§ 67-1-804)

If payment for taxes due is made by a check or money order that is subsequently dishonored, a penalty of 1% of the amount of the check may be imposed on the taxpayer. If a taxpayer presents the Department with three or more dishonored checks in one calendar year, the penalty will increase to 10% of the amount of the check. Regardless, the minimum amount of penalty attached will be \$15.00. (§ 67-1-804(d))

#### Record Keeping

Every taxpayer is required to establish and maintain records that are adequate for auditors to use in determining that the correct franchise, excise taxes have been paid.

All such records shall be open for inspection, at all reasonable hours, to the Commissioner of the Department of Revenue or authorized representatives of the Commissioner. (§ 67-6-523)

### Right to a Conference (§ 67-1-1801)

Taxpayers are entitled to an informal conference to discuss an assessment. If this request is made in writing within thirty days from the date of the Notice of Assessment, the conference must be granted. If it is made beyond the thirty days, the conference may be granted within the discretion of the Commissioner.

Taxpayers who wish to contest an assessment without making payment have 90 days to file suit in chancery court, as provided by statute. Interest will continue to accrue at the prevailing rate until payment is received. A lien may be filed against the taxpayer's property during this 90-day period, but the Department generally may not levy on the taxpayer's property to satisfy the assessment.

If the taxpayer timely requests an informal conference, the 90-day period for filing suit stops running until a conference decision is issued in writing. After the decision is issued, the 90-day period recommences. The 90-day stay for most collection activity is likewise extended. The taxpayer is not required to request an informal conference before contesting an assessment in court.

If the taxpayer does not timely file suit to contest the assessment, the taxpayer may pay the assessment, request a refund, and then file suit in chancery court for a refund in accordance with the procedures set forth in T.C.A. § 67-1-1802.

## FRANCHISE, EXCISE TAX

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### THE TAXPAYER BILL OF RIGHTS

The Commissioner of the Department of Revenue is charged, by the Tennessee General Assembly, with creating the “Tennessee Taxpayer Bill of Rights.” This Bill of Rights must keep taxpayers informed of their rights under the law and guarantee that Tennessee taxpayers are treated with fairness, courtesy, and common sense.

The taxpayer Bill of Rights assures taxpayers the right to:

- ✓ Fair and courteous treatment from all employees of the Department of Revenue.
- ✓ Tax forms and information written in plain language.
- ✓ Prompt and accurate responses to all inquiries and requests for tax assistance.
- ✓ Request public records not confidential or otherwise protected by law, and to review such records at an appropriate time and location.
- ✓ Assurance that all tax information relating to their accounts, including financial information, will be kept confidential.
- ✓ Tax notices that clearly explain the amount being billed.
- ✓ Clear rules and procedures to resolve tax problems.
- ✓ An informal hearing, as provided by law, with the Commissioner, or the Commissioner’s representative, to dispute any tax assessment, provided that a timely request is made to the Department. Taxpayers have the right to be represented by an attorney, certified public accountant, or any other representative at such a conference.
- ✓ Assurance that no employees of the Department of Revenue are paid, promoted, or rewarded in any way based on assessments or collections.
- ✓ Suggest ways the Department of Revenue may better serve the public.
- ✓ Prompt notification of any refund for taxes collected or paid in error.
- ✓ Assistance through statewide meetings, held in convenient locations by the Department of Revenue, where taxpayers are allowed to ask questions and voice suggestions.
- ✓ A notice and demand for payment ten days before the Department of Revenue makes any collection effort.
- ✓ A thirty day notice before seized assets are liquidated.

Taxpayers have all other rights afforded them under the tax laws of the State of Tennessee and the federal and state constitutions. (§ 67-1-110)



### 1. BUSINESS NAME AND MAILING ADDRESS

## 2. BUSINESS LOCATION ADDRESS

LEGAL NAME

STREET, HIGHWAY (DO NOT USE P.O. BOX NUMBER OR RURAL ROUTE NUMBER)

P.O. BOX, STREET, ROUTE, OR HIGHWAY

CITY STATE ZIP CODE COUNTY

CITY STATE ZIP CODE

Place Mailing Label Here

**3A. BUSINESS PHONE # (      ) \_\_\_\_\_**

**3B. BUSINESS FAX # (      ) \_\_\_\_\_**

4. FISCAL YR. END \_\_\_\_\_ / \_\_\_\_\_  
MO DAY

**ANSWER ALL QUESTIONS COMPLETELY. INCOMPLETE AND UNSIGNED APPLICATIONS WILL DELAY PROCESSING.**

**5. ENTER YOUR FEDERAL EMPLOYER'S IDENTIFICATION #**

		-							
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☐ APPLIED FOR

**6. TYPE OF ENTITY:**

☐ LIMITED LIABILITY PARTNERSHIP      ☐ LIMITED PARTNERSHIP  
☐ LIMITED LIABILITY COMPANY      ☐ PROFESSIONAL LIMITED LIABILITY COMPANY  
☐ CORPORATION      ☐ S CORPORATION      ☐ PROFESSIONAL CORPORATION  
☐ NOT-FOR-PROFIT      ☐ OTHER \_\_\_\_\_

**7. SECRETARY OF STATE #**

**8. DESCRIBE THE BUSINESS ACTIVITY, STATING THE MAJOR PRODUCTS AND/OR SERVICES SOLD.**

9. IF A LIMITED PARTNERSHIP, LIMITED LIABILITY PARTNERSHIP, OR LIMITED LIABILITY COMPANY, DID ONE OR MORE CORPORATIONS SUBJECT TO TENNESSEE TAX, DIRECTLY OR INDIRECTLY, HAVE IN THE AGGREGATE 80% OR MORE OWNERSHIP INTEREST AT ANY TIME AFTER JUNE 30, 1998, PLEASE CHECK THE APPROPRIATE BOX AT RIGHT. YES ☐ NO ☐

**10. IDENTIFY PRINCIPAL OFFICERS, PARTNERS OR MEMBERS AND PERCENT OF OWNERSHIP IN THIS BUSINESS (ATTACH ADDITIONAL NAMES AND SOCIAL SECURITY NUMBERS ON SEPARATE SHEET)**

(1) NAME	TELEPHONE #	SSN / FEIN (Please circle which format is provided)									
ADDRESS (DO NOT USE P.O. BOX #)	CITY	STATE	ZIP CODE				% OF OWNERSHIP				
(2) NAME	TELEPHONE #	SSN / FEIN (Please circle which format is provided)									
ADDRESS (DO NOT USE P.O. BOX #)	CITY	STATE	ZIP CODE				% OF OWNERSHIP				
(3) NAME	TELEPHONE #	SSN / FEIN (Please circle which format is provided)									
ADDRESS (DO NOT USE P.O. BOX #)	CITY	STATE	ZIP CODE				% OF OWNERSHIP				

ARE YOU STILL IN BUSINESS? IF NO LONGER IN BUSINESS, PLEASE CHECK NO AND RETURN APPLICATION WITH CLOSURE DATE.

☐ YES   ☐ NO      DATE: \_\_\_\_\_

11. THE STATEMENTS MADE ON THIS APPLICATION ARE TRUE TO THE BEST OF MY KNOWLEDGE AND BELIEF. (THIS APPLICATION MUST BE SIGNED BY A PRINCIPAL OFFICER, PARTNER, OR MEMBER OF THE CORPORATION LISTED IN ITEM 10.)

**SIGN  
HERE:** \_\_\_\_\_  
*PRINCIPAL OFFICER, PARTNER OR MEMBER (DO NOT PRINT OR USE STAMP)*

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TITLE
DATE

**FOR DEPARTMENT USE ONLY**

## INSTRUCTIONS FOR COMPLETING APPLICATION FOR REGISTRATION

T.C. A. Section 67-4-2004(16) expands the types of businesses subject to Franchise, Excise tax by defining "person" or "taxpayer" to include in addition to corporations; limited liability companies, limited liability partnerships, limited partnerships, and any other organization or entity engaged in business. It excludes sole proprietorships and general partnerships.

Sections 67-4-2003(c) and 67-4-2103(c) require taxpayers subject to the Franchise, Excise tax to register with the Department of Revenue within 60 days of 7/1/99 or within 15 days after becoming subject to the tax, whichever date occurs last.

Proper completion of the application will insure the timely and correct establishment of the Franchise, Excise tax registration for your business. This application should be mailed to the Tennessee Department of Revenue, 500 Deaderick Street, Nashville, TN 37242 or faxed to (615) 253-3580.

### ABOUT THE APPLICATION

- ITEM 1     **YOU MUST PROVIDE THE LEGAL NAME AND MAILING ADDRESS .**
- ITEM 2     **IF LOCATION ADDRESS IS DIFFERENT THAN MAILING ADDRESS, PLEASE PROVIDE.**
- ITEM 3     You must include a business phone number where you can be reached during normal business hours. Include a business fax number if applicable.
- ITEM 4     You must provide the business' fiscal year end. This should be the same year end that is used for filing the federal return.
- ITEM 5     **YOU MUST PROVIDE THE BUSINESS' FEDERAL EMPLOYER'S IDENTIFICATION NUMBER.**
- ITEM 6     You must check the appropriate boxes which pertain to the ownership of your business.
- ITEM 7     You must provide the SOS Control No., if the business is registered with the Tennessee Secretary of State.
- ITEM 8     You must provide a detailed description of the business activity, stating the major products and/or services sold.
- ITEM 9     If a limited partnership, limited liability partnership, or limited liability company; did one or more corporations subject to Tennessee tax, directly or indirectly, have in the aggregate 80% or more ownership interest at any time after 6/30/98, please answer Yes or No.
- ITEM 10    You must identify owners, officers, partners, or members and you must enter social security numbers or FEINs, address and telephone number and **PERCENTAGE OF OWNERSHIP** for principal owners, partners, members, or corporate officers.
- ITEM 11    **THIS APPLICATION MUST BE SIGNED BY A PARTNER, LLC MEMBER, OR A CORPORATE OFFICER OF THE BUSINESS.** Do not print or use a signature stamp.

If you need assistance in completing this application, Tennessee residents may call in-state toll free 1-800-342-1003; out-of-state callers may dial (615) 253-0600.



TENNESSEE DEPARTMENT OF REVENUE  
FRANCHISE, EXCISE TAX RETURN

FAE  
170

Taxable Year		Account No.	FEIN or SSN	
Beginning:				
Ending:		Due Date		
<b>CHECK APPROPRIATE BLOCK(S):</b>				
a. <input type="checkbox"/> Tennessee domestic corporation		j. Single Member LLC/Division of parent (see instructions)		
b. <input type="checkbox"/> Foreign corporation		k. <input type="checkbox"/> LP		
c. <input type="checkbox"/> S Corporation		l. <input type="checkbox"/> LLP		
d. <input type="checkbox"/> Insurance Company		m. <input type="checkbox"/> RLLP		
e. <input type="checkbox"/> LLC		n. <input type="checkbox"/> PRLLP		
f. <input type="checkbox"/> PLLC		o. <input type="checkbox"/> Business Trust		
g. <input type="checkbox"/> Single Member LLC/individual		p. <input type="checkbox"/> Not-For-Profit		
h. <input type="checkbox"/> Single Member LLC/corporation		q. <input type="checkbox"/> Other _____		
i. <input type="checkbox"/> Single Member LLC/general partnership				
If this is an AMENDED RETURN, please check the box at right. <input type="checkbox"/>				
If the taxpayer is inactive in Tennessee, please check the box at right. <input type="checkbox"/>				
If this is a FINAL RETURN for termination or withdrawal, please check box at right. <input type="checkbox"/>				
If the payment for this return was sent via EFT, please check the box at right. <input type="checkbox"/>				
If the taxpayer is a member of a consolidated group, please check the box at right. <input type="checkbox"/>				
If the taxpayer is a member of a partnership operating in Tennessee, please check the box at right. <input type="checkbox"/>				
Enter the principal business activity code (NAICS) listed in federal IRC instructions that best describes the principal business activity in Tennessee. _____				
Date Tennessee Operations Began		If you use a paid preparer and do not want forms mailed to you next year, check box at right. <input type="checkbox"/>		

SCHEDULE A - COMPUTATION OF FRANCHISE TAX		DOLLARS	CENTS
1. Total net worth from Schedule F, Line 6 .....	(1)		
2. Total real & tangible personal property from Schedule G, Line 14 .....	(2)		
3. <b>Franchise tax</b> (25¢ per \$100.00 or major fraction thereof on the greater of Lines 1 or 2; <b>minimum</b> \$100.00) ..	(3)		
<b>SCHEDULE B - COMPUTATION OF EXCISE TAX</b>			
4. Income subject to excise tax from Schedule J, Line 30 .....	(4)		
5. Excise tax (6.5% of Line 4) .....	(5)		
6. Add: Recapture of excise tax credit from Schedule T, Part 2 .....	(6)		
7. <b>Net excise tax due</b> (Line 5 plus Line 6) .....	(7)		
<b>SCHEDULE C - COMPUTATION OF TOTAL TAX DUE OR OVERPAYMENT</b>			
8. Total Franchise and Excise taxes - Add lines 3 and 7 .....	(8)		
9. Deduct: Total credit from Schedule D, Line 7 (cannot exceed Line 8) .....	(9)		
10. Subtotal: Line 8 less Line 9 (if Line 9 exceeds Line 8, enter 0 here) .....	(10)		
11. Deduct: Total payments from Schedule E, Line 7 .....	(11)		
12. Penalty (5% for each 30-day period of delinquency not to exceed 25%; minimum penalty is \$15)	(12)		
13. Interest (8.75% per annum on taxes unpaid by the due date) .....	(13)		
14. Penalty on estimated franchise, excise tax payments .....	(14)		
15. Interest on estimated franchise, excise tax payments .....	(15)		
16. <b>Total amount due (overpayment)</b> - Add lines 10, 12, 13, 14, and 15, less Line 11 .....	(16)		
If <b>overpayment</b> reported on Line 16, complete A and/or B: A. <input type="checkbox"/> Credit to next year's tax \$ _____ B. <input type="checkbox"/> Refund \$ _____			

<b>POWER OF ATTORNEY</b> - Check YES if this taxpayer's signature certifies that this tax preparer has the authority to execute this form on behalf of the taxpayer and is authorized to receive and inspect confidential tax information and to perform any and all acts relating to respective tax matters. <input type="checkbox"/> YES	Under penalties of perjury, I declare that I have examined this report, and to the best of my knowledge and belief, it is true, correct, and complete.			
	Taxpayer's Signature _____		Date _____	Title _____
	Tax Preparer's Signature _____		Preparer's SSN _____	Telephone _____
	Preparer's Address _____		City _____	State _____ ZIP _____

FOR OFFICE  
USE ONLY

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Remit amount in item 16, payable to:  
**TENNESSEE DEPARTMENT OF REVENUE**  
Andrew Jackson State Office Building  
500 Deaderick Street, Nashville, TN 37242

**Schedule D -- SCHEDULE OF CREDITS**

1. Gross Premiums tax credit (cannot exceed Schedule C, Line 8) .....	(1)		
2. Insurance Company reduction (percentage of Schedule C, Line 8, less Schedule D, Line 1) .....	(2)		
3. Tennessee Income Tax (cannot exceed Schedule B, Line 5) .....	(3)		
4. Day Care Credit from Schedule W, Line 18/LIHTC from Schedule Y, Line 3 .....	(4)		
5. Industrial Machinery Credit from Schedule T, Line 11 .....	(5)		
6. Jobs Tax Credit from Schedule X, Line 27 .....	(6)		
7. Total Credit - Add lines 1 through 6 (Enter here and on Schedule C, Line 9) .....	(7)		

**Schedule E -- SCHEDULE OF PAYMENTS**

1. Overpayment from previous year if available .....	(1)		
2. First quarterly estimated payment .....	(2)		
3. Second quarterly estimated payment .....	(3)		
4. Third quarterly estimated payment .....	(4)		
5. Fourth quarterly estimated payment .....	(5)		
6. Extension payment .....	(6)		
7. Total payments - Add lines 1 through 6 (Enter here and on Schedule C, Line 11) .....	(7)		

**COMPUTATION OF FRANCHISE TAX****Schedule F -- NET WORTH**

1. Net Worth (total assets less total liabilities; deduct Treasury Stock) .....	(1)		
2. Indebtedness to or guaranteed by parent or affiliated corporation .....	(2)		
3. Deduct: Interest in another taxpayer doing business in Tennessee (Attach schedule) .....	(3)	( )	
4. Total lines 1 and 2 less Line 3 .....	(4)		
5. Ratio (Schedules N, O, P, R, or S if applicable or 100%) .....	(5)		%
6. Total - Line 4 multiplied by Line 5 (Enter here and on Schedule A, Line 1) .....	(6)		

**Schedule G - DETERMINATION OF REAL AND TANGIBLE PROPERTY**

BOOK VALUE OF PROPERTY OWNED - Cost less accumulated depreciation				In Tennessee
1. Land .....	(1)			
2. Buildings, leaseholds, and improvements .....	(2)			
3. Machinery, equipment, furniture, and fixtures .....	(3)			
4. Automobiles and trucks .....	(4)			
5. Prepaid supplies and other tangible personal property (Attach schedule) .....	(5)			
6. Share of partnership real and tangible property provided that the partnership does not file a return (Attach schedule) .....	(6)			
7. Inventories and work in progress .....	(7)			
a. Deduct exempt inventory in excess of \$30 million (§67-4-2108(a)(6)) .....	(7a)		( )	
8. Deduct value of certified pollution control equipment (Include copy of certificate (§67-5-604)) .....	(8)		( )	
9. SUBTOTALS - Add lines 1 through 7, less Line 7a and Line 8 .....	(9)			
Rental Value of Property Used but not Owned				(C)
Net Annual Rental Paid for:				
10. Real property	(A)	(B)		
	In Tennessee	x8	(10)	
11. Machinery & equipment used in manufacturing & processing		x3	(11)	
12. Furniture, office machinery, and equipment		x2	(12)	
13. Delivery or mobile equipment		x1	(13)	
14. TENNESSEE TOTAL - Add lines 9-13 (Enter total here and on Schedule A, Line 2) .....			(14)	

TAXABLE YEAR	TAXPAYER NAME	ACCOUNT NO./FEIN/SSN
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**Schedule H - Gross Receipts**

1. Total receipts from whatever source derived before any deductions but not including actual sales returns and allowances... (1)

**Schedule I - FEDERAL INCOME REVISIONS**

Have you had federal income revisions that have not been previously reported? \_\_\_\_\_

If you answered yes, complete schedule below. Where columns 3 and 4 are not the same, a schedule of reconciliation must be submitted.

Year	1. Original Net Income on Federal Return	2. Net Income Corrected	3. Increase (Decrease) in Net Income	4. Increase (Decrease) Affecting Excise Tax

**COMPUTATION OF EXCISE TAX**

NOTE: The starting point for determining "net earnings" subject to the excise tax is contained in schedules J-1 through J-3. A taxpayer enters on Line 1, Schedule J, its federal income (loss) from only one of schedules J-1 through J-3. Adjustments to Line 1, the starting point of the excise tax, are made on lines 2 to 24 on Schedule J.

**Schedule J-1 -- COMPUTATION OF NET EARNINGS FOR ENTITIES TREATED AS PARTNERSHIPS**

- |  |     |  |
|--|-----|--|
| 1. Ordinary Income or Loss from Federal Form 1065, Line 22 .....   | (1) |  |
| <b>Additions:</b>  |     |  |
| 2. Additional income items specifically allocated to partners, including guaranteed payments to partners (Fed 1065 - Sch K) .....  | (2) |  |
| 3. Total - Add lines 1 and 2 .....   | (3) |  |
| <b>Deductions:</b>   |     |  |
| 4. Additional expense items specifically allocated to partners (Fed 1065 -Sch K) .....   | (4) |  |
| 5. Amount subject to self-employment taxes distributable or paid to each partner or member net of medical insurance payments previously deducted to determine Ordinary Income (Loss) on Form 1065 (cannot increase any net loss) ..... | (5) |  |
| 6. Amount of contribution, not previously deducted, to qualified pension or benefit plans of any partner or member, including all IRC 401 plans (cannot increase any net loss) .....   | (6) |  |
| 7. Total deductions - Add lines 4 through 6 .....  | (7) |  |
| 8. Total - Line 3 less Line 7 (Enter here and on Schedule J, Line 1) .....   | (8) |  |

**Schedule J-2 -- COMPUTATION OF NET EARNINGS FOR A SINGLE MEMBER LLC FILING AS AN INDIVIDUAL****Additions:**

- |   |     |  |
|---|-----|--|
| 1. Business Income from Form 1040, Schedule C ..... | (1) |  |
| 2. Business Income from Form 1040, Schedule D ..... | (2) |  |
| 3. Business Income from Form 1040, Schedule E ..... | (3) |  |
| 4. Business Income from Form 1040, Schedule F ..... | (4) |  |
| 5. Business Income from Form 4797 .....             | (5) |  |
| 6. Other: Form _____, Schedule _____ .....          | (6) |  |
| 7. Total - Add lines 1 through 6 .....              | (7) |  |

**Deductions:**

- |  |     |  |
|--|-----|--|
| 8. Amount subject to self-employment taxes distributable or paid to the single member (cannot increase any net loss) ..... | (8) |  |
| 9. Total - Line 7 less Line 8 (Enter here and on Schedule J, Line 1) .....   | (9) |  |

**Schedule J-3 -- COMPUTATION OF NET EARNINGS FOR ENTITIES TREATED AS CORPORATIONS AND "OTHER" ENTITIES**

Enter the amount of income(loss) from the applicable federal return to Schedule J, Line 1

- |  |     |  |
|--|-----|--|
| 1. Federal Form 1120 - Line 28 (Taxable income or loss before net operating loss deduction and special deductions) ..... | (1) |  |
| 2. Federal Form 1120S - Line 21 (Ordinary income or loss from trade or business activities) .....                        | (2) |  |
| 3. Federal Form 990-T, Line 30 (unrelated business taxable income) .....   | (3) |  |
| 4. Other: Form _____, Schedule _____ .....   | (4) |  |



**Schedule J - COMPUTATION OF NET EARNINGS SUBJECT TO EXCISE TAX**

1. Federal income or loss (Enter amount from Schedule J-1, J-2, or J-3) .....	(1)	
<b>ADDITIONS:</b>		
2. Income items to extent includable in federal income were it not for "S" status election (Fed 1120S - Schedule K) .....	(2)	
3. Any net loss or expense received from a "pass-through" entity subject to and paying the excise tax, or any net loss or expense distributed to a REIT subject to and paying the excise tax (include schedule of entities and FEINs) .....	(3)	
4. Any gain on the sale of an asset sold within twelve months after distribution by a taxpayer treated as a partnership, S corporation or business trust to a member, partner, shareholder, or certificate holder .....	(4)	
5. Tennessee excise tax expense (to the extent reported for federal purposes) .....	(5)	
6. Gross premiums tax deducted in determining federal income and used as an excise tax credit .....	(6)	
7. Interest income on obligations of states and their political subdivisions, less allowable amortization .....	(7)	
8. Depletion not based on actual recovery of cost .....	(8)	
9. Contribution carryover from prior period(s) .....	(9)	
10. Capital gains offset by capital loss carryover or carryback .....	(10)	
11. Excess fair market value over book value of property donated .....	(11)	
12. Any depreciation permitted as a deduction in computing federal taxable income solely as a result of the provision of the federal Job Creation and Worker Assistance Act of 2002, and any expense/depreciation deducted as a result of "safe harbor" lease elections. (attach schedule) .....	(12)	
13. Total additions - Add lines 2 through 12 .....	(13)	
<b>DEDUCTIONS:</b>		
14. Expense items to extent includable in federal expenses were it not for "S" status election (Fed 1120S - Schedule K) .....	(14)	
15. Any net gain or income received from a "pass-through" entity subject to and paying the excise tax, or any net gain or income distributed to a REIT subject to and paying the excise tax (include schedule of entities and FEINs) .....	(15)	
16. Any loss on the sale of an asset sold within twelve months after distribution by a taxpayer treated as a partnership, S corporation or business trust to a member, partner, shareholder, or certificate holder .....	(16)	
17. Dividends received from corporations, at least 80% owned (attach schedule) .....	(17)	
18. Contributions in excess of amount allowed by federal government .....	(18)	
19. Portion of current year's capital loss not included in federal taxable income .....	(19)	
20. Any expense other than income taxes, not deducted in determining federal taxable income for which a credit against the federal income tax is allowable .....	(20)	
21. Any income included for federal tax purposes and any depreciation or other expense that could have been deducted for "safe harbor" lease elections. (attach schedule) .....	(21)	
22. Depreciation under the provisions of IRC Section 168 prior to the computation of depreciation under the federal Job Creation and Worker Assistance Act of 2002 and any excess gain or loss from the resulting basis adjustment. (attach schedule) .....	(22)	
23. Nonbusiness earnings - Schedule M, Line 8 .....	(23)	
24. TOTAL deductions - Add lines 14 through 23 .....	(24)	( )
<b>COMPUTATION OF TAXABLE INCOME:</b>		
25. Total Business Income (Loss) - Add lines 1 and 13, less Line 24 (If loss, complete Schedule K) .....	(25)	
26. Apportionment Ratio (Schedules N, O, P, R, or S if applicable or 100%) .....	(26)	%
27. Apportioned business income (Loss) (Line 25 multiplied by Line 26) .....	(27)	
28. Add: Nonbusiness earnings directly allocated to Tennessee (From Schedule M, Line 9) .....	(28)	
29. Deduct: Loss carryover from prior years (From Schedule U) .....	(29)	( )
30. Subject to excise tax (6.5%) (Line 27 plus Line 28, less Line 29) (enter here and on Schedule B, Line 4) .....	(30)	

**Schedule K - DETERMINATION OF LOSS CARRYOVER AVAILABLE -See Rule 1320-6-1-.21 of Departmental Rules and Regulations**

1. Net loss from Schedule J, Line 25 .....	(1)	
<b>ADD:</b>		
2. Amounts reported on Schedule J, lines 17 and 23 .....	(2)	
3. Amounts reported on Schedule J-1, lines 5 and 6, and Schedule J-2, Line 8 .....	(3)	
4. Reduced loss - Add lines 1 through 3 (if net amount is positive, enter "0") .....	(4)	
5. Excise Tax ratio (Schedules N, O, P, R, or S if applicable or 100%) .....	(5)	%
6. Current year loss carryover available (Line 4 multiplied by Line 5) .....	(6)	

## INSTRUCTIONS FOR COMPLETING FRANCHISE, EXCISE TAX RETURN

In the top portion of the front page of the tax return, several items are to be reported by the taxpayer. The taxpayer should put the taxable year (the beginning and ending period of the return being filed). The period covered must coincide with the federal return. A return can cover a 52/53-week-filing period, but can not otherwise exceed twelve (12) months. Also, please provide the date Tennessee operations began in the appropriate box.

The account number should also be provided, along with the entity's FEIN or SSN (in the case of a single member LLC filing as an individual). If the entity is inactive in Tennessee, please check the appropriate box.

If you are filing an amended or final return, please check the appropriate boxes. If the return is marked final, please include a schedule of liquidation, distribution, or disposition of all assets.

Please check the appropriate block(s), which pertain to your entity's structure. Single member LLCs that elect to file as an individual or corporation for federal purposes must file a Franchise & Excise based on this same filing status. Corporate owned single member LLCs that elect to file as a 'Division of Parent' for federal purposes are also included in the 'Parent's' Franchise, Excise tax return. In this case, the single member LLC must file an Application of Registration with the Department, in order to establish a 'Division of Parent' filing relationship. If none of these blocks applies to your entity, please check 'Other' and provide a description of the type of entity.

### Schedule A – Franchise Tax

- Line 1 Amount as calculated on Schedule F, Line 6, Page 2.  
Line 2 Amount as calculated on Schedule G, Line 14, Page 2.  
Line 3 Multiply the greater of Line 1 or 2 by \$0.25 per \$100. The minimum tax is \$100. If the return covers a period of less than twelve (12) months, the tax should be prorated to cover the period of the return. The minimum tax of \$100 cannot be prorated.

### Schedule B – Excise Tax

- Line 4 Amount as calculated on Page 4, Schedule J, Line 30.  
Line 5 Multiply amount on Line 4 by 6.5%. If line 4 is a loss, enter "0".  
Line 6 Amount as calculated in Schedule T, Part 2. Please note that if there is an amount here, it is due even if the Excise Tax, as calculated on Line 5, is zero.  
Line 7 Net Excise Tax due. Add Line 5 and Line 6.

### Schedule C – Computation of Total Tax Due or Overpayment

- Line 8 Total Franchise, Excise Taxes. Add Schedule A, Line 3, and Schedule B, Line 7.  
Line 9 Deduct the total available credits from Schedule D, Line 7; however, this amount cannot exceed Schedule C, Line 8.  
Line 10 Subtotal of Franchise, Excise Taxes due; deduct Schedule C, Line 9 from Line 8. Note: On Schedule C, Line 9 cannot exceed Line 8.  
Line 11 Deduct total payments reported on Schedule E, Line 7.  
Line 12 Penalty is calculated at a rate of 5% for each 30-day period that a return is delinquent to a maximum of 25% of delinquent tax. The minimum penalty is \$15 for delinquent filing of a return. Any portion of a 30-day period that a return is delinquent is treated as a full 30 days.  
Line 13 Interest is due on any amount of tax that is paid after the statutory due date of the return. The interest rate is determined in accordance with T.C.A. 67-1-801.  
Line 14 Penalty on Estimated Franchise and Excise Tax payments is calculated at a rate of 5% per 30-day period to a maximum of 25% of the deficient or delinquent amount. It is calculated from the due date of the estimated payment through the date paid or the due date of the return, whichever is earlier.  
Line 15 Interest is calculated on Estimated Franchise and Excise Tax payments on any deficient or delinquent amount of the payment. The rate of interest is the same as determined on Line 13. It is calculated from the due date of the estimated payment through the date paid or the due date of the return, whichever is earlier.  
Line 16 Total amount due (overpayment). Add Schedule C, Lines 10, 12, 13, 14 & 15, less Line 11. If an overpayment exists on this line, enter the amount to be credited to the next year in block A and/or to be refunded in block B.

### Schedule D – Schedule of Credits

**NOTE: Credits should be computed in the order provided in Schedule D. In the event multiple credits are available to the taxpayer, a worksheet is available to report the amount of each credit to be applied to each tax, and the resulting amount of carryover of each credit.**

- Line 1 Enter amount of gross premium tax paid to Department of Commerce and Insurance. The credit cannot exceed Schedule C, Line 8. No carryover is available for any excess gross premium credit.  
Line 2 TCA Section 56-4-217 phases out the Tennessee Franchise, Excise Taxes applicable to insurance companies. The Franchise and Excise Taxes remaining after the application of the gross premiums tax credit (Schedule C, Line 8, less Schedule D, Line 1), are reduced by 20% for tax years beginning on or after 12-15-98 but not after 12-14-99; 40% for tax years beginning on or after 12-15-99 but not after 12-14-00; 60% for tax years beginning on or after 12-15-00 but not after 12-14-01; and 80% for tax years beginning on or after 12-15-01 but not after 12-14-02. For tax years beginning on or after 12-15-02, the Franchise and Excise Taxes will not apply to insurance companies.  
Line 3 Enter the amount of any Tennessee 'Hall' Income Tax paid for the same

period covered by this return. The credit cannot exceed Schedule B, Line 5. No carryover is available for any excess Income Tax credit.

- Line 4 Enter the amount from Schedule W, Line 18. Instructions are provided with Schedule W to explain the computation of the Day Care Credit. Include amount of Low Income Housing Tax Credit from Schedule Y, Line 3.  
Line 5 Enter the amount from Schedule T, Line 11. Refer to Schedule T for computation.  
Line 6 Enter the amount From Schedule X, Line 27. Instructions are provided with Schedule X to explain the computation of the Jobs Tax Credit.  
Line 7 Total credits; enter on Schedule C, Line 9.

### Schedule E – Schedule of Estimated Franchise and Excise Tax Payment, Overpayment and Extensions

Total these amounts and carry forward to Schedule C, Line 11.

### Schedule F – Base of Franchise Tax

**NOTE: All amounts in this schedule should be determined in accordance with generally accepted accounting principles (GAAP), however, if the taxpayer does not maintain its books on a GAAP basis, the franchise tax is computed in accordance with the accounting method used by the taxpayer for federal tax purposes, provided this method fairly reflects the taxpayer's activity.**

- Line 1 Net worth is total assets less total liabilities. Any reserves are included on Line 1 that are not liabilities or proper reduction of asset accounts.  
Line 2 Indebtedness is includable by a corporation, which is a subsidiary of another corporation or closely affiliated therewith by stock ownership; however, it does not include indebtedness from individuals. Indebtedness to be included on this line does not include normal credit extended in short-term accounts payable.  
Line 3 The value of an interest held in any other taxpayer is deductible provided that they are "doing business" in the state and paying the tax.  
Line 4 Add amounts on Lines 1 and 2, deduct Line 3.  
Line 5 Apportionment ratio as computed on Schedules N, O, P, R or S. If the entity is not entitled to apportion, enter 100%.  
Line 6 Line 4 multiplied by Line 5. Enter this amount on Schedule A, Line 1.

### Schedule G – Determination of Real and Tangible Property

- Lines 1-5 The amounts on these lines are based on the year-end net book values of the assets on the entity's books and records. All tangible assets are included such as those that might be in "current assets" or "other assets."  
Line 6 This amount is calculated by multiplying the taxpayer's percentage of ownership, shown on Fed. Sch. K-1, by the amount of real and tangible property shown on the balance sheet of an entity treated as a partnership for federal tax purposes. Only include property from a partnership on this line if the partnership itself is not subject to file a return.  
Line 7 Include all inventory on this line. Deduct exempt inventory on Line 7a. Exempt inventory is any amount in excess of \$30,000,000 of finished goods.  
Line 8 This amount is the value of pollution control equipment that has been certified by the Department of Environment and Conservation. A copy of the certificate should be attached to the return.  
Line 9 Subtotal. Add Lines 1 through 7, less Line 7a and Line 8.  
Lines 10(A) – 13(A) This amount is the total net annual rental paid for property located in Tennessee. Multiply amounts on lines 10(A) through 13(A) by the multiples on Lines 10(B) through 13(B), and enter each total on Lines 10(C) through 13(C). For determination of rental value of property used but not owned, please note that for returns covering a period of less than twelve (12) months, rents must be annualized.  
Line 14 Total Tennessee property. Total Lines 9, 10(C) through 13(C) and enter total also on Schedule A, Line 2.

### Schedule I – Federal Income Revisions

This schedule is used when a taxpayer has been audited by the Internal Revenue Service and has been issued a Revenue Agent's Report. Please include a copy of the Revenue Agent's Report when completing this schedule. If the Revenue Agent's Report is consolidated, please include a separate company breakdown.

### Schedule J-1 Net Earnings for Entities Treated as Partnerships

- Line 1 Enter the amount of "ordinary income (loss)" from Federal Form 1065, Line 22, Partnership return.  
Line 2 Enter the amount of additional income items "passed-through" to partners or members from Federal Form 1065, Schedule K, Lines 2 through 7. This includes guaranteed payments to partners.  
Line 3 Total of Lines 1 and 2.  
Line 4 Enter the amount of additional expense items "passed-through" to partners or members from Federal Form 1065, Sch. K, lines 8 through 11, 14a, and 18b.  
Line 5 Enter the amount subject to self-employment taxes distributable or paid to each partner or member net of medical insurance payments previously deducted to determine Ordinary Income (Loss) on Form 1065. This amount is not subject to any federal tax percentage limitation or cap; however, this deduction cannot create a loss carryover. This computation is made on Sch K, loss carryover, Page 4.  
Line 6 Enter the amount of contribution, not previously deducted, to qualified pension or benefit plans of any partner or member, including all IRC 401

plans. This deduction cannot create a loss carryover, which is computed on Schedule K, loss carryover, Page 4.

Line 7 Total deductions. Add Lines 4 through 6.

Line 8 Total net earnings (net loss). Deduct Line 7 from Line 3, and enter on Schedule J, Line 1.

**Schedule J-2 – Computation of Net Earnings for a Single Member LLC Filing as an Individual**

Line 1 Enter the amount of business income (loss) from Federal Form 1040, Schedule C, Line 31.

Line 2 Enter the amount of gain or loss from Federal Form Schedule D that is attributable to assets used by the LLC.

Line 3 Enter the amount of total income or loss attributable to the LLC from Federal Form 1040, Schedule E, Line 40.

Line 4 Enter the amount of net profit or loss attributable to the LLC from Federal Form 1040, Schedule F, Line 36.

Line 5 Enter the amount of gain or loss from Federal Schedule 4797 that is attributable to assets used by the LLC.

Line 6 Enter the amount of any income or loss attributable to the LLC that is reported on any Federal schedules not on Lines 1 through 5 above.

Line 7 Subtotal. Add Lines 1 through 6 and enter that amount.

Line 8 Enter the amount subject to self-employment taxes distributable or paid to the single member. This deduction is not subject to any federal tax percentage limitation or cap; however, it cannot create a loss carryover, which is computed on Schedule K, loss carryover, Page 4.

Line 9 Total net earnings (net loss). Deduct Line 8 from Line 7 and enter on Schedule J, Line 1.

**Schedule J-3 – Computation of Net Earnings for Entities Treated as Corporations and “Other” Entities**

Line 1 Enter the amount of net earnings (loss) from Line 28, Federal Form 1120. This is the amount of taxable income or loss before the net operating loss deduction and special deductions. Enter this amount on Schedule J, Line 1.

Line 2 Enter the amount of “ordinary” income or loss from trade or business activities from Federal Form 1120S, Line 21. Enter this amount on Schedule J, Line 1.

Line 3 Enter the amount of “unrelated business taxable income” before net operating loss deduction from Federal Form 990-T, Line 30. Enter this amount on Schedule J, Line 1.

Line 4 Enter the amount of net earnings or loss from any entity that reports on a Federal return different from any of the above returns as reported on Lines 1, 2 & 3. Please enter the type of Federal Form and Schedule in the space provided. Enter this amount on Schedule J, Line 1.

**Schedule J – Profit and Loss Statement**

Line 1 Enter the amount of net earnings or loss reported in either Schedule J-1, J-2, or J-3.

**Additions:**

Line 2 S Corporation’s “pass-through” income items are required to be added to ordinary income. This amount is to include the total income items as shown on Schedule K of Federal Form 1120S.

Line 3 Enter the amount of any “pass-through” net loss and expense included in the Excise Tax base by the taxpayer. The “pass-through” items are reported to the taxpayer on Federal Schedule K-1. This adjustment is only made if the entity issuing the K-1 is itself subject to the Excise Tax and filing a Franchise, Excise Tax return. This adjustment is to prevent the duplicate recognition of the “pass-through” loss and expense in the Excise Tax base. If an entry is made on this line, please attach a schedule listing the entity/entities for Excise Tax purposes. Also include on this line any net loss or expense distributed to a REIT by a “pass-through” entity on Schedule K-1.

Line 4 Enter the amount of any gain on the sale of an asset sold within twelve months after distribution by a taxpayer treated as a Partnership, S Corporation or Business Trust to a member, partner, shareholder, or certificate holder. This gain is to be reported by the entity that distributed the assets. If an asset was distributed to a member, partner, shareholder or certificate holder and no sale has taken place, or the asset was sold twelve months after distribution, no entry is required.

Line 5 This amount is the Excise Tax that was deducted in determining federal net income. If the event of an overaccrual in the prior year, that causes the current year’s Federal return to report a negative ‘deduction’, this amount can be reported as a deduction.

Line 6 If an insurance company elects to take the gross premium tax paid to the Tennessee Department of Commerce and Insurance as a credit against its Franchise, Excise Taxes, the amount of the gross premiums tax expensed for federal purposes that is used as an excise tax credit must be shown here.

Line 7 This amount is all tax-exempt interest as shown on the books of the taxpayer, net of disallowed interest expense pursuant to 26 U.S.C. Sections 265 and 291. This amount is reflected on Federal Schedule M-1, ‘Reconciliation on Income per Books with Income per Return’.

Line 8 Any percentage depletion deducted for federal tax purposes must be added. This amount is reflected on Federal Schedule M-1, ‘Reconciliation on Income per Books with Income per Return’.

Line 9 Contribution carryovers must be added back to net income when used for federal purposes. This amount is reflected in Federal Schedule M-1, ‘Reconciliation on Income per Books with Income per Return’.

Line 10 Capital loss carryovers must be added to net income when offset

against capital gains for federal tax purposes. This amount is reflected in Federal Schedule M-1, ‘Reconciliation on Income per Books with Income per Return’.

Line 11 The excess of the fair market value over the book value of property donated must be added to net income. This amount is reflected in Federal Schedule M-1, ‘Reconciliation on Income per Books with Income per Return’.

Line 12 Any depreciation permitted as a deduction in computing federal taxable income solely as a result of the provision of the Federal Job Creation and Worker Assistance Act of 2002, and any expense/depreciation deducted as a result of “safe harbor” lease elections. A detailed schedule must be attached to the tax return to document any adjustment made on this line.

Line 13 Total additions. Enter the sum of Lines 2 through Line 12.

**Deductions:**

Line 14 S Corporation’s “pass-through” expense items are to be deducted from ordinary income, this amount is the total expense items as shown on Federal Form 1120S, Schedule K.

Line 15 Enter the amount of any “pass-through” net gain and income included in the Excise Tax base by the taxpayer. The “pass-through” items are reported to the taxpayer on Federal Sched K-1. This adjustment is only made if the entity issuing the K-1 is itself subject to the Excise Tax and filing a Franchise, Excise Tax return. This adjustment is to prevent the duplicate recognition of the gain and income in the Excise Tax base. If an entry is made on this line, please attach a schedule listing the entity/entities and FEIN that are incurring and reporting the gains and income for Excise Tax purposes. Also include on this line any net gain or income distributed to a REIT by a “pass-through” entity on Sch K-1.

Line 16 Enter the amount of any loss on the sale of an asset sold within twelve months after distribution by a taxpayer treated as a partnership, S Corporation or business trust to a member, partner, shareholder, or certificate holder. This loss is to be reported by the entity that distributed the asset. If an asset was distributed to a member, partner, shareholder or certificate holder and no sale has taken place, or the asset was sold twelve months after distribution, no entry is required.

Line 17 This amount is all dividends received from corporations in which the entity owns at least 80% of the corporation’s stock.

Line 18 Contributions may be deducted, in full, the year in which the contributions were made. This amount is reflected on Federal Schedule M-1, ‘Reconciliation on Income per Books with Income per Return’.

Line 19 Capital losses may be deducted, in full, the year the loss was incurred. This amount is reflected on Federal Schedule M-1, ‘Reconciliation on Income per Books with Income per Return’.

Line 20 Any expense incurred, other than income taxes, that was not deducted for federal tax purposes but was used as a credit against federal income tax goes on this line. Most common are federal job credits and ESOP. The expenses are reflected on Federal Schedule M-1, ‘Reconciliation on Income per Books with Income per Return’.

Line 21 Any income included for federal tax purposes and any depreciation or other expense that could have been deducted for “safe harbor” lease elections. A detailed schedule must be attached to the tax return to document any adjustment made on this line.

Line 22 Depreciation computed under the provisions of IRC Section 168 prior to the computation of depreciation under the Federal Job Creation and Worker Assistance Act of 2002. Also, include on this line any excess gain or loss on the disposition of property having a higher basis for excise tax purposes than federal income tax purposes measured by the difference in the Tennessee basis and the federal basis. A detailed schedule must be attached to the tax return to document any adjustment made on this line.

Line 23 Amount as calculated on Schedule M, Line 8.

Line 24 Total deductions. The sum of Lines 14 through Line 23.

Line 25 Total business income. The sum of Line 1 and 13, less Line 24. If the corporation has a net loss, compute Schedule K.

Line 26 Apportionment ratios as computed on Schedules N, O, P, R, or S. If the entity is not entitled to apportion, enter 100%.

Line 27 Multiply Line 25 by Line 26.

Line 28 Amount as calculated on Schedule M, Line 9.

Line 29 Loss carryover from prior year as shown on Schedule U. Please note that Tennessee loss carryover is computed separately from federal loss carryover.

Line 30 Excise Tax base. The sum of Line 27 and Line 28, less Line 29. Enter this amount on Schedule B, Line 4.

**Schedule K – Determination of Loss Carryover Available**

Line 1 Net loss as computed on Schedule J, Line 25.

Line 2 Add amounts deducted on Schedule J, Lines 17 and 23.

Line 3 Add amounts deducted on Schedule J-1, Line 5, Self-Employment Tax, and Line 6, Contribution to Pension Plan. Add amount deducted on Schedule J-2, Line 8, Self-Employment Tax.

Line 4 Net reduced loss carryover. The sum of Lines 1 through Line 3. If the net amount is positive, then enter “0”, and no loss carryover is available.

Line 5 Apportionment ratio as computed on Schedules N, O, P, R, or S. If the entity is not entitled to apportion, enter 100%.

Line 6 Current year loss carryover available. Multiply Line 5 by Line 4.



**TENNESSEE DEPARTMENT OF REVENUE  
ALLOCATION AND APPORTIONMENT SCHEDULES**

**SCHEDULES M THROUGH S  
(FORM FAE 170)**

TAXABLE YEAR	TAXPAYER NAME	ACCOUNT NO./FEIN/SSN
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**IMPORTANT: IF YOU USE THIS FORM, ATTACH IT TO YOUR FRANCHISE, EXCISE TAX RETURN.**

Allocation and apportionment schedules may be used only by taxpayers doing business outside the state of Tennessee within the meaning of Sections 67-4-2010 and 67-4-2110 Tennessee Code Annotated. The burden is upon the taxpayer to show that the corporation has the right to apportion.

**SCHEDULE M - Schedule of Nonbusiness Earnings**

Note - If all earnings are business earnings as defined below, do not complete this schedule. Any nonbusiness earnings, less related expenses are subject to direct allocation and should be reported in this schedule.

Definitions: "Business Earnings" means ( 1 ) earnings arising from transactions and activity in the regular course of the taxpayer's trade or business or (2) earnings from tangible and intangible property if the acquisition, use, management, or disposition of the property constitutes an integral part of the taxpayer's regular trade or business operations. In essence, earnings which arise from the conduct of the trade or trades or business operations of a taxpayer are business earnings, and the taxpayer must show by clear and cogent evidence that particular earnings are classifiable as nonbusiness earnings. A taxpayer may have more than one regular trade or business in determining whether income is business earnings.

"Nonbusiness Earnings" means all earnings other than business earnings.

Description (If further description is necessary see below)	Gross Amounts	*Less Related Expenses	Net Amounts	Net Amounts Allocated Directly to Tenn.
1. _____				
2. _____				
3. _____				
4. _____				
5. _____				
6. _____				
7. _____				
8. <u>Total nonbusiness earnings (Transfer to Schedule J, Line 23)</u>				XXXXX
9. <u>Nonbusiness earnings allocated directly (Transfer to Schedule J, Line 28)</u>			XXXXX	

If necessary, describe source of nonbusiness earnings and explain why such earnings do not constitute business earnings as defined above. Enumerate these items to correspond with items listed above.

\*As a general rule, the allowable deductions for expenses of a taxpayer are related to both business and nonbusiness earnings. Such items as administrative **costs, taxes**, insurance, repairs, maintenance, and depreciation are to be considered. In the absence of evidence to the contrary, it is assumed that the expenses related to nonbusiness rental earnings will be an amount equal to 50 percent of such earnings and that expenses related to other nonbusiness earnings will be an amount equal to 5 percent of such earnings. (See regulation 1320-6-1.23(3))

## Instructions for Completing Apportionment Schedules N through S

Schedules N through S are completed by taxpayers doing business both in and out of Tennessee. Those taxpayers compute an apportionment ratio to apply to the Excise Tax base on Schedule J, and to the Franchise Tax base on Schedule F. The apportionment ratio determines the percentage of the total tax base that is attributable to Tennessee. Additional detail on the computation of apportionment factors is contained in the Rules and Regulations. They can be accessed on the Internet at [www.state.tn.us/sos/rules/1320/1320-06](http://www.state.tn.us/sos/rules/1320/1320-06).

Lines 1 – 9 of Schedule N have four entries. Values are reported for property in Tennessee and for all property everywhere in the respective columns. The average value of property shall be determined by averaging the values at the beginning and ending of the tax period. Columns (a) are used to report values at the beginning of the tax period; columns (b) are used to report values at the end of the tax period. Property owned by the taxpayer is valued at its original cost. Property rented by the taxpayer is valued at eight (8) times the annual rental rate. The value of owned or leased mobile/moveable property will be determined based on the percentage of time the property was within the state during the tax period.

### Schedule N – Apportionment – Standard

- Lines 1-3, 5 The amounts on these lines are based on the beginning and ending year actual values of the assets on the entity's books and records. All tangible assets are included, such as those that might be in "current assets" or "other assets".
- Line 4 Include all inventory on this line.
- Line 6 This amount is calculated by multiplying the taxpayer's percentage of ownership shown on Federal Schedule K-1 by the amount of real and tangible personal property shown on the balance sheet of an entity treated as a partnership for federal tax purposes. Only include property from a partnership on this line if the partnership itself is not subject to filing its own tax return.
- Line 7 Total lines 1 through 6 in each column.
- Line 8 Enter the amount of exempt inventory on this line. Exempt inventory is any amount in excess of \$30,000,000 of finished goods that would otherwise be included in the Franchise Tax base.
- Line 9 Subtract Line 8 from Line 7.
- Line 10 Determine the Excise Tax average value by adding lines 7(a) and (b) and dividing by 2.
- Line 11 Determine the Franchise Tax average value by adding lines 9(a) and (b) and dividing by 2.
- Line 12 Enter the year-end value of rented property, determined by multiplying the annual rental rate x 8.
- Line 13 Determine the Excise Tax property factor by adding Line 10 and line 12 and the Excise Tax apportionment property factor by dividing 13(a) by 13(b) and multiplying by 1.
- Line 14 Determine the Franchise Tax property factor by adding Line 11 and line 12 and the Franchise Tax apportionment property factor by dividing 14(a) by 14(b) and multiplying by 1.
- Line 15 Determine the apportionment payroll factor. Enter the total paid in compensation during the taxable period in Tennessee in 15(a) and the total paid everywhere in 15(b). Divide 15(a) by 15(b) and multiply by 1 to determine both the Franchise and Excise payroll factors.
- Line 16 Determine the apportionment sales factor. Enter the total business gross receipts during the taxable period in Tennessee in 16(a) and the total business gross receipts everywhere in 16(b). Divide 16(a) by 16(b) and multiply by 1 to determine both the Franchise and Excise sales factors. Enter the values twice, as this factor is weighted twice in determining the apportionment ratio.
- Line 17 Add the percentages determined by computing the property, payroll, and double sales factors.
- Line 18 Determine the overall apportionment ratio by dividing line 17 by 4. Enter the result of the Franchise Tax ratio on Schedule F, Line 5, and the result of the Excise Tax ratio on Schedule J, Line 26.

### Schedule O – Apportionment – Common Carriers

- Line 1 Enter total miles in Tennessee and total miles overall. Railroads will use total miles owned and operated or leased and operated. Motor carriers will use the total franchise miles or odometer miles, if there are no franchise miles, to which it holds or uses under lease, contract, or otherwise, certificates of convenience and necessity from the Interstate Commerce Commission or Department of Safety. Pipelines will use the number of pipeline miles owned, operated, or owned and operated. Determine the ratio by dividing Tennessee miles by overall miles and multiplying by 1.
- Line 2 On this line enter total gross receipts from operations on business beginning and ending within Tennessee without entering or passing through any other state and total gross receipts everywhere. Determine the ratio by dividing Tennessee receipts by overall receipts and multiplying by 1.
- Line 3 Add the ratios of mileage and receipts.
- Line 4 Determine the overall apportionment ratio by dividing line 3 by 2. Enter the results on Schedule F, Line 5, and on Schedule J, Line 26.

### Schedule P – Apportionment – Air Carriers

- Line 1 Enter the amount of revenue originating within Tennessee and the total amount of revenue originating from all sources. Divide Tennessee revenue by total revenue and multiply by 1 to figure the revenue apportionment ratio.
- Line 2 Enter the total Tennessee air miles and the total of all air miles flown. Tennessee air miles are those from flights originating from or ending in Tennessee, or both originating from and ending in Tennessee. Divide Tennessee air miles by total air miles and multiply by 1 to figure the mileage apportionment ratio.
- Line 3 Add the revenue and miles ratios.
- Line 4 Determine the overall apportionment ratio by dividing line 3 by 2. Enter the results on Schedule F, Line 5, and on Schedule J, Line 26.

### Schedule R – Apportionment – Air Express Carriers

- Line 1 Enter the amount of revenue originating within Tennessee and the total amount of revenue originating from all sources. Divide Tennessee revenue by total revenue and multiply by 1 to figure the revenue apportionment ratio.
- Line 2 Enter the total of Tennessee air miles flown and ground miles traveled and the total of all air miles flown and ground miles traveled. Tennessee air miles are those from flights originating from or ending in Tennessee, or both originating from and ending in Tennessee. Ground miles traveled are only those traveled with respect to the actual common carriage of persons or property for hire. Divide Tennessee miles by total miles and multiply by 1 to figure the mileage apportionment ratio.
- Line 3 Add the revenue and miles ratios.
- Line 4 Determine the overall apportionment ratio by dividing line 3 by 2. Enter the results on Schedule F, Line 5, and on Schedule J, Line 26.

### Schedule S – Apportionment – Insurance Companies

- Line 1 Enter the total receipts from direct premiums in Tennessee and the total receipts from direct premiums everywhere. Determine the overall apportionment ratio by dividing Tennessee direct premium receipts by overall direct premium receipts. Enter the results on Schedule F, Line 5, and On Schedule J, Line 26.

APPORTIONMENT SCHEDULES FOR TAXPAYERS DOING BUSINESS OUTSIDE THE STATE OF TENNESSEE  
Franchise and excise tax ratios are obtained by using the arithmetical average of the following ratios. Any factor with a zero denominator must be eliminated.

SCHEDULE N - APPORTIONMENT - STANDARD (Manufacturers, retailers, wholesalers, etc)				
Property	In Tennessee		Total Everywhere	
NOTE: USE ORIGINAL COST OF ASSETS	a. Beginning of Taxable year	b. End of Taxable year	a. Beginning of Taxable year	b. End of Taxable year
1. Land, buildings, leaseholds, and improvements .....				
2. Machinery, equipment, furniture, and fixtures .....				
3. Automobiles and trucks .....				
4. Inventories and work in progress .....				
5. Prepaid supplies and other property .....				
6. Share of partnership property (if partnership is not taxable) .....				
7. Excise tax total (Lines 1 through 6) .....	a.	b.	a.	b.
8. Less exempt inventory (see §67-4-211(b)(1)) .....	( )	( )	( )	( )
9. Franchise tax total (Line 7 minus Line 8) .....	a.	b.	a.	b.
10. Excise tax average value (add Line 7(a) & (b) divide by 2) .....				
11. Franchise tax average value (add Line 9(a) & (b) divide by 2) .....				
12. Add: Rented property (rent paid X 8) .....				
NOTE: Double Weighted Sales Factor	a. In Tennessee	b. Total Everywhere	d. Franchise Ratio (Col. a ÷ Col. b) x 1	e. Excise Ratio (Col. a ÷ Col. b) x 1
13. Excise Tax property factor (Line 10 plus Line 12) .....				%
14. Franchise Tax property factor (Line 11 plus Line 12) .....			%	
15. Payroll factor .....			%	%
16. Sales factor - (Business Gross Receipts) .....			%	%
Sales factor - (Business Gross Receipts) .....			%	%
17. Total Ratios .....			%	%
18. Apportionment Ratio (Line 17 divided by 4) (Enter Franchise Ratio to Sch. F, Line 5. Enter Excise ratio to Sch. J, Line 26) .....			%	%
SCHEDULE O - APPORTIONMENT - COMMON CARRIERS (Railroads, motor carriers and pipelines)				
	In Tennessee	Total Everywhere	Ratio	
1. Total franchise mileage (odometer miles) .....			%	
2. Tennessee intrastate receipts - Interstate gross receipts everywhere .....			%	
3. Total Ratios .....	XXXXX	XXXXX	%	
4. Apportionment ratio (Line 3 divided by two; transfer ratio to Schedule F, Line 5 and Schedule J, Line 26) .....			%	
SCHEDULE P - APPORTIONMENT - AIR CARRIERS				
	In Tennessee	Total Everywhere	Ratio	
1. Originating revenue .....			%	
2. Airmiles flown (Include in Tennessee column only airmiles flown on flights either originating from or ending in Tennessee or both) .....			%	
3. Total Ratios .....	XXXXX	XXXXX	%	
4. Apportionment Ratio (Line 3 divided by two; transfer ratio to Schedule F, Line 5 and Schedule J, Line 26) .....			%	
SCHEDULE R - APPORTIONMENT - AIR EXPRESS CARRIERS				
	In Tennessee	Total Everywhere	Ratio	
1. Originating revenue .....			%	
2. Airmiles flown and groundmiles travelled (Include in Tennessee column only airmiles flown on flights either originating from or ending in Tennessee or both. Include only groundmiles travelled with respect to actual common carriage of persons or property for hire) .....			%	
3. Total Ratios .....	XXXXX	XXXXX	%	
4. Apportionment Ratio (Line 3 divided by two; transfer ratio to Schedule F, Line 5 and Schedule J, Line 26) .....			%	
SCHEDULE S - APPORTIONMENT - INSURANCE COMPANIES				
	In Tennessee	Total Everywhere	Ratio	
1. Direct Premiums (Divide direct premiums in Tennessee by direct premiums everywhere; transfer ratio to Schedule F, Line 5 and Schedule J, Line 26) .....			%	



**TENNESSEE DEPARTMENT OF REVENUE  
INDUSTRIAL MACHINERY TAX CREDIT**

TAXABLE YEAR	TAXPAYER NAME	ACCOUNT NO./FEIN/SSN
--------------	---------------	----------------------

The excise tax may be reduced by a credit on industrial machinery purchased during the tax period covered by the return and located in Tennessee. The credit is computed at 1% of the purchase price of qualified industrial machinery. The credit taken on any return cannot exceed 50% of the current year's excise tax liability, but any unused credit may be carried forward 15 years under T.C.A. Section 67-4-2009(4).

**SCHEDULE T (FORM FAE 170) - SCHEDULE OF INDUSTRIAL MACHINERY**

<b>PART 1</b>	<b>TAX CREDIT COMPUTATION</b>
---------------	-------------------------------

1. Purchase price of machinery .....	(1)	_____
2. Percentage allowed .....	(2)	1%
3. Original credit (Line 1 multiplied by Line 2) .....	(3)	_____
4. Credit available from prior year(s) (From Schedule V) .....	(4)	_____
5. Total credit available (Add lines 3 and 4) .....	(5)	_____
6. Excise Tax liability before any credits (From Schedule B, Line 5) .....	(6)	_____
7. Limitation on Credit (50% of line 6) .....	(7)	_____
8. Franchise and Excise Tax liability before any credits (From Schedule A, Line 3 plus Schedule B, Line 5) .....	(8)	_____
9. Credits from Schedule D, Lines 1 through 4 .....	(9)	_____
10. Tax before Industrial Machinery Credit (Line 8 less Line 9) .....	(10)	_____
11. Amount available in Current Year (Least of Lines 5, 7, or 10; transfer to Schedule D, Line 5) .....	(11)	_____

<b>PART 2</b>	<b>RECAPTURE OF EXCISE TAX CREDIT</b>
---------------	---------------------------------------

In the event that any industrial machinery is sold or removed and credit has been taken against excise tax, the following formula is to be used to recapture the excise tax credit taken for each item of machinery:

Credit taken on purchase of machinery X percentage of useful life remaining at time of sale or removal = Amount of credit to be recaptured.

Total amount of recapture to be used to increase excise tax liability (Transfer to Schedule B, Line 6) ..... \$ \_\_\_\_\_

**SCHEDULE U and V - LOSS CARRYOVER/INDUSTRIAL MACHINERY CREDIT CARRYOVER**

**NOTE: SCHEDULES U AND V ARE NOT REQUIRED TO BE FILED WITH THE RETURN. These schedules may be used as a worksheet to compute the amount of net operating loss carryover and \ or excise tax credit carryover available.**

**IMPORTANT INFORMATION APPLICABLE TO LOSS CARRYOVER**

- Any net operating loss incurred for fiscal years ended on or after 3-15-82 and prior to 1-15-84 may be carried forward seven (7) years as a net operating loss carryover.
- Any net operating loss incurred for fiscal years ending on or after 1-15-84 may be carried forward fifteen (15) years as a net operating loss carryover.
- COMBINED RETURN - UNITARY GROUP OF FINANCIAL INSTITUTIONS:**  
Any net operating loss incurred by a member of the unitary group which has been apportioned to Tennessee in a year prior to filing a combined return may be carried forward seven (7) years as a net operating loss carryover by the unitary group. A net operating loss incurred by a unitary group of financial institutions computed on a combined basis may be carried forward fifteen (15) years by the unitary group.  
Reference: Section 67-4-2006(c), Tennessee Code Annotated.

**SCHEDULE U - SCHEDULE OF LOSS CARRYOVER**

Year	Period Ended (mm/YY)	For Original Return or As Amended	Used In Prior Year(s)	Expired	Loss Carryover Available
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
Total Amount (Transfer to Schedule J, Line 29) .....					

**SCHEDULE V - SCHEDULE OF INDUSTRIAL MACHINERY CREDIT CARRYOVER****IMPORTANT INFORMATION APPLICABLE TO INDUSTRIAL MACHINERY CREDIT CARRYOVERS**

Any unused credit incurred for fiscal years ending on or after 3-15-82 may be carried forward in any tax period for up to fifteen (15) years.  
Reference: Section 67-4-2009(4)(c), Tennessee Code Annotated.

Year	Period Ended (mm/YY)	For Original Return or As Amended	Used In Prior Year(s)	Expired	Industrial Machinery Credit Carryover Available
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
Total Amount (Transfer to Schedule T, Line 4) .....					





**TENNESSEE DEPARTMENT OF REVENUE**  
**W - FRANCHISE AND EXCISE TAX DAY CARE CREDIT COMPUTATION**

Taxpayer Name	Account Number/FEIN/SSN	Taxable Year

	(a) FRANCHISE TAX	(b) EXCISE TAX
1. Qualified Expenses (Attach schedule) .....		
2. Percentage Allowed .....	25%	25%
3. Original Credit (Line 1 multiplied by Line 2) .....		
4. Day Care Credit carryover from prior years .....		
5. Total Day Care Credit available (Add lines 3 and 4) .....		
6. Total number of day care facilities in existence from all periods .....		
7. Number of facilities on Line 6 multiplied by \$25,000 .....		
8. Limitation on credit (Lesser of Line 7 or \$100,000) .....		
9. Total Credit Available for each tax (Lesser of Line 5 or Line 8) .....		
10. Franchise Tax (Schedule A, Line 3) .....		
11. Franchise Tax Day Care Credit (Lesser of Line 9 or Line 10) .....		
12. Excise Tax (Schedule B, Line 5) .....		
13. Excise Tax Day Care Credit (Lesser of Line 9 or Line 12) .....		
14. Total Credit from both taxes (Line 11a plus Line 13b) .....		
15. Franchise and Excise taxes (From Schedule A, Line 3, plus Schedule B, Line 5) .....		
16. Credits from Schedule D, Lines 1 through 3 .....		
17. Line 15 less Line 16 .....		
18. Amount available in current year (lesser of Line 14 or Line 17) to Schedule D, Line 4 .....		

SCHEDULE OF FRANCHISE TAX DAY CARE CREDIT CARRYOVER					
YEAR	PERIOD ENDED MM/YY	FOR ORIGINAL RETURN OR AMENDED	USED IN PRIOR YEARS	EXPIRED	DAY CARE CREDIT CARRYOVER AVAILABLE
1					
2					
3					
Amount to carry to Line 4, Column a .....					

SCHEDULE OF EXCISE TAX DAY CARE CREDIT CARRYOVER					
YEAR	PERIOD ENDED MM/YY	FOR ORIGINAL RETURN OR AMENDED	USED IN PRIOR YEARS	EXPIRED	DAY CARE CREDIT CARRYOVER AVAILABLE
1					
2					
3					
Amount to carry to Line 4, Column b .....					



**TENNESSEE DEPARTMENT OF REVENUE**  
**SCHEDULE X - FRANCHISE & EXCISE TAX JOBS CREDIT COMPUTATION**  
**BUSINESS PLAN CONTROL NO. \_\_\_\_\_**

Taxpayer Name	Account Number/FEIN/SSN	Taxable Year

**Part 1 - Credit established for tax years beginning on or after July 1, 1999 - Franchise and Excise Taxes - also applicable to 80% corporate owned LLCs, LLPs, and LPs.**

1. New Tennessee jobs created and filled in economically distressed counties during the current fiscal year (Complete this line only if the fiscal year began on or after July 1, 1999) .....	(1)	
2. Jobs Tax Credit from jobs created in distressed counties (Line 1 x \$3,000) .....	(2)	
3. Other new Tennessee jobs created and filled during the current fiscal year (Complete this line only if the fiscal year began on or after July 1, 1999) .....	(3)	
4. Jobs Tax Credit from jobs created in non-distressed counties (Line 3 x \$2,000) .....	(4)	
5. Jobs Tax Credit carryover from years beginning on or after July 1, 1999 .....	(5)	
6. Total Jobs Tax Credit from years beginning on or after July 1, 1999 (Add lines 2, 4, and 5) .....	(6)	
7. Total Tennessee Jobs at Fiscal Year End .....	(7)	
8. Total Franchise and Excise Taxes (Schedule A, Line 3 plus Schedule B, Line 5) .....	(8)	
9. Limitation Percentage (From table below) .....	(9)	%

<b>Total Number of Tennessee Full Time Employees at the end of the fiscal year</b>	<b>Percent of Total Franchise and Excise Tax Liability Allowed to be Offset by the Job Tax Credit</b>
Less than 1,000	33 1/3%
1,000 or more, but less than 3,000	50%
3,000 or more, but less than 5,000	75%
5,000 or more	100%

10. Limitation (Line 8 x Line 9) .....	(10)	
11. Credit available in current year (lesser of Line 6 or 10) .....	(11)	

**Part 2 - Credit established under prior law for tax years beginning before July 1, 1999 - Franchise Tax**

12. New Tennessee Jobs created and filled in economically distressed counties during the current fiscal year (Complete this line only if the fiscal year before July 1, 1999) .....	(12)	
13. Jobs Tax Credit from jobs created in distressed counties (Line 12 x \$3,000) .....	(13)	
14. Other new Tennessee jobs created and filled during the current fiscal year (Complete this line only if the fiscal year before July 1, 1999) .....	(14)	
15. Jobs Tax Credit from jobs created in non-distressed counties (Line 14 x \$2,000) .....	(15)	
16. Jobs Tax Credit carryover from years beginning before July 1, 1999 .....	(16)	
17. Total Jobs Credit from years beginning before July 1, 1999 - Add lines 13, 15, and 16 .....	(17)	
18. Franchise Tax Liability on return first reflecting increase .....	Year: _____	(18)
19. Franchise Tax from year immediately prior to investment .....	Year: _____	(19)
20. Limitation (Line 18 less Line 19) .....	(20)	
21. Franchise Tax (Schedule A, Line 3) .....	(21)	
22. Credit Available in current year (least of lines 17, 20, or 21) .....	(22)	

**Limitation Summary**

23. Line 11 plus Line 22 .....	(23)	
24. Total Franchise and Excise Taxes from Schedule A, Line 3 plus Schedule B, Line 5 .....	(24)	
25. Credit from Schedule D, lines 1 through 5 .....	(25)	
26. Net Tax before Jobs Credit from Line 24 less Line 25 .....	(26)	
27. Total amount available in current year (lesser of Line 23 or 26; enter here and on Schedule D, Line 6) .....	(27)	



**TENNESSEE DEPARTMENT OF REVENUE  
LOW INCOME HOUSING TAX CREDIT (LIHTC)  
SCHEDULE AND INSTRUCTIONS**

TAXABLE YEAR	TAXPAYER NAME	ACCOUNT NO./FEIN/SSN
--------------	---------------	----------------------

**SCHEDULE Y (FORM FAE 170) - LOW INCOME HOUSING TAX CREDIT (LIHTC)**

**Location 1:**  
**Effective Date** \_\_\_\_\_ **County Where Located** \_\_\_\_\_ **BIN** \_\_\_\_\_

**LIHTC COMPUTATION**

1. Actual Property Tax ..... (1) \_\_\_\_\_
2. Less average property tax for LIHTC property in this county:
- |                               |   |                                  |                 |
|-------------------------------|---|----------------------------------|-----------------|
| <u>UNIT</u><br><u>AVERAGE</u> | X | <u>NUMBER</u><br><u>OF UNITS</u> |                 |
| \$ _____                      |   | _____                            | ..... (2) _____ |
3. Unbudgeted property tax credit (Line 1 less Line 2) ..... (3) \_\_\_\_\_

**Location 2:**  
**Effective Date** \_\_\_\_\_ **County Where Located** \_\_\_\_\_ **BIN** \_\_\_\_\_

**LIHTC COMPUTATION**

1. Actual Property Tax ..... (1) \_\_\_\_\_
2. Less average property tax for LIHTC property in this county:
- |                               |   |                                  |                 |
|-------------------------------|---|----------------------------------|-----------------|
| <u>UNIT</u><br><u>AVERAGE</u> | X | <u>NUMBER</u><br><u>OF UNITS</u> |                 |
| \$ _____                      |   | _____                            | ..... (2) _____ |
3. Unbudgeted property tax credit (Line 1 less Line 2) ..... (3) \_\_\_\_\_

**Location 3:**  
**Effective Date** \_\_\_\_\_ **County Where Located** \_\_\_\_\_ **BIN** \_\_\_\_\_

**LIHTC COMPUTATION**

1. Actual Property Tax ..... (1) \_\_\_\_\_
2. Less average property tax for LIHTC property in this county:
- |                               |   |                                  |                 |
|-------------------------------|---|----------------------------------|-----------------|
| <u>UNIT</u><br><u>AVERAGE</u> | X | <u>NUMBER</u><br><u>OF UNITS</u> |                 |
| \$ _____                      |   | _____                            | ..... (2) _____ |
3. Unbudgeted property tax credit (Line 1 less Line 2) ..... (3) \_\_\_\_\_

**TOTAL LIHTC** (Add all Line 3 amounts and enter on Schedule D, Line 4) ..... \_\_\_\_\_



TENNESSEE DEPARTMENT OF REVENUE  
APPLICATION FOR EXTENSION OF TIME TO FILE  
FRANCHISE, EXCISE TAX RETURN

FAE  
173

Taxable Year Beginning: Ending:	Account No. Due Date	FEIN or SSN
		Make your check payable to the Tennessee Department of Revenue for the amount shown on Line 4 of the worksheet and mail to:  Tennessee Department of Revenue Andrew Jackson State Office Bldg. 500 Deaderick Street Nashville, TN 37242

An extension of time of six (6) months will be granted, provided, you file this application and pay estimated taxes equal to ninety percent (90%) of the franchise and excise tax liability for the tax year **or the minimum franchise tax of \$100, whichever is greater.** The application and payment must be made on or before the original due date of your return. Statutory due date of return \_\_\_\_\_ Extension of time requested \_\_\_\_\_

REMINDERS

- 1) Please read procedures on reverse side.
- 2) Enter account number or FEIN in the spaces provided.
- 3) An application for extension must be filed to obtain a valid extension although credits and estimated payments may exceed your estimated liability.
- 4) If previous year's credit(s) and current year's estimated tax payment exceed estimated liability, enter 0 on Line 4.
- 5) Be sure to sign and date your return in the signature box.

WORKSHEET FOR COMPUTATION OF EXTENSION PAYMENT

	ROUND TO NEAREST DOLLAR
1. Estimated Franchise Tax current year .....	00
2. Estimated Excise Tax current year .....	00
3. Deduct: Prior year's overpayment and estimated payments and tax credits made for current year .....	00
4. Amount due with extension request (90% or greater of lines 1 and 2 less Line 3; if Line 3 is greater than total of lines 1 and 2, enter 0 and return form without payment) .....	00

Keep Upper Portion For Your Records  
▼ Return Copy Below - Detach Here ▼

WRITE NUMBERS LIKE THIS

1 2 3 4 5 6 7 8 9 0

FAE  
173

TENNESSEE DEPARTMENT OF REVENUE  
Application for Extension of Time to File Franchise, Excise Tax

Filing Period		Extended Due Date	
ACCOUNT			

FOR OFFICE USE ONLY

If your account number is not preprinted or unknown, enter federal identification number/social security number.

(FEIN/SSN) ➤

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AMOUNT DUE  
(Line 4 of worksheet) ➤

								00
--	--	--	--	--	--	--	--	----

Under penalties of perjury, I declare that I have examined this report, and to the best of my knowledge and belief, it is true, correct, and complete.

Taxpayer's Signature	Date	Title	
Tax Preparer's Signature	Date	Telephone	
Preparer's Address	City	State	ZIP



TENNESSEE DEPARTMENT OF REVENUE  
QUARTERLY FRANCHISE, EXCISE TAX DECLARATION

**FAE**  
**172**

Taxable Year	Beginning	Account No.
	Ending	

Every taxpayer, who has a combined franchise and excise tax liability of \$5,000 or more for the current tax year must make four quarterly estimated tax payments. The payments are due on the 15th day of the fourth, sixth, and ninth months of the current year and the first month of the succeeding year.

Make your check payable to the Tennessee Department of Revenue and mail to:

Tennessee Department of Revenue  
Andrew Jackson State Office Building  
500 Deaderick Street  
Nashville, TN 37242

For assistance, you may call in-state toll free 1-800-342-1003 or (615) 253-0600.

REMINDERS

1. Please read instructions on reverse side before preparing worksheet.
2. Use the prenumbered vouchers and envelopes provided by the Department of Revenue.
3. Enter the amount from Line 4 of the worksheet to the "Amount of Payment" field on the voucher.
4. If Line 4 of the worksheet is zero, please do not file the voucher.

ROUND TO NEAREST DOLLAR

1. Estimated Franchise, Excise tax liability .....		00
2. Less: Franchise, Excise Tax Credits and prior year overpayments .....		00
3. Net Estimated Franchise, Excise tax liability .....		00
4. Estimated payment (one fourth of Line 3) .....		00

▼ **KEEP UPPER PORTION FOR YOUR RECORDS-RETURN COPY BELOW** ▼

**FAE**  
**172**

TENNESSEE DEPARTMENT OF REVENUE  
QUARTERLY FRANCHISE, EXCISE TAX DECLARATION

**1**

Taxable Year	BEGINNING	ENDING
ACCOUNT NUMBER		

Due Date:

If your account number is not preprinted or unknown, enter federal identification number.

(FEIN/  
SSN) ➤

--	--	--	--	--	--	--	--

AMOUNT OF  
PAYMENT ➤

							00
--	--	--	--	--	--	--	----

FOR OFFICE  
USE ONLY ➤

--	--	--	--	--	--

--	--	--	--	--	--	--	--	--	--